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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2224

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OBJECTIVES OF GDR-USSR 'PRODUCTION COOPERATION' PROGRAM EXPLAINED

East Berlin EINHEIT in German Vol 36 No 11, Nov 81 (signed to press 14 Oct 81)
pp 1169-1172

['Consultation' feature article by Prof Dr Manfred Engert, economist, director, Institute for Socialist World System Economics, Academy of Social Sciences, SED Central Committee: "Specialization and Cooperation Between the GDR and the USSR"]

[Text] "The more the development of socialism advances in the GDR, the closer becomes the economic and scientific-technical cooperation with the Soviet Union, and the more important that becomes for the stability and dynamics of our economy. The increasing entwining of our economies and the ever more effective combination of their capacities make our two fraternally allied states advance more securely and faster on their common path. That strengthens the joint potential of real socialism."[1] That precisely also is the goal served by the GDR-USSR specialization and production cooperation program up to 1990. Signed in Berlin on the 30th anniversary of the founding of the GDR, it is of extraordinary political and economic importance to implementing our economic strategy, as the measures agreed on in it aim at higher efficiency. A resolute use of the advantages of socialist economic integration opens up greater dimensions in intensification.

So the implementation of the specialization program broadly promotes scientific-technical progress because by that the level and speed of growth in our reciprocal deliveries are increasingly determined by the results of our research and production cooperation. Favorable preconditions are created for the further intensification of the reproduction process through the deliveries in energy sources and raw materials agreed upon, which are vital to our economy and which we can import, in conformity with CEMA price setting principles, at prices which, especially for energy sources, will be lower in years ahead than they are on the capitalist world market. Finally, deepening specialization and cooperation strengthens the intensification process since it makes the firm division of labor relations with the USSR still more efficient. The proportion of specialized products in the overall GDR exports of machines and equipment to the USSR, e.g., comes to more than 50 percent. Secure sales and supply conditions improve the possibilities for a better use of economic advantages in an internationally specialized and, at once, concentrated production in many industrial fields.

This underscores that a deepened socialist division of labor with the USSR and the other CEMA countries has become for the GDR an indispensable structure-forming and efficiency-promoting factor.

USSR Share in GDR Imports 1980 (in percent)

Petroleum	87
Natural gas	100
Iron ore	77
Rolled steel	78
Cotton	88
Tractos	53
Diesel locomotives	56
Trucks	33

GDR Share in USSR Imports 1980 (in percent)

Equipment for the petroleum-processing industry	65
Machining machine tools	28
Trailers	98
Cranes	62
Polygraphic machines	40
Farm machinery and equipment	42

The already advanced stage in the entwining of both economies, which comes combined with the further socialization of production within the economies in the form of combines in the GDR and of production associations in the USSR, has had the result that any intended intensification measure from the outset raises the question about being included in socialist economic integration. A high state of international cooperation, after all, is bound to offer greater opportunities for a more efficient use of one's R&D and production potential. Indeed, it may be stated that without this division of labor with the Soviet Union and the other CEMA countries the needed performance growth cannot be accomplished at all.

Measures in the fields of scientific-technical cooperation and international socialist production specialization and cooperation are therefore not to be seen as something additional to one's own intensification measures but as regular features of them. So the tasks and measures set down in the GDR-USSR production specialization and cooperation program up to 1990 also are inherent components of our party's entire economic strategy. "Inconceivable it is today for any socialist country stably to develop without its relations with the other fraternal countries and solve such problems as energy and raw material supply and the introduction of the latest science and technology data. Problems arising in our cooperation we solve together. We seek for ways of combining at an optimum the interests of the various fraternal countries with the common interests."[2]

All international cooperation measures, particularly those with the USSR, rely on this important realization: economic intensification needs deeper socialist economic integration. We want to get greater efficiency from scientific-technical cooperation and international production specialization and cooperation. In this,

integration measures--whatever their form may be--always have to be combined with the intensification measures within the economy, the branches and the combines. They pervade all elements of our economic strategy and are tied up with all inherent growth factors. That is why we say that socialist economic integration is an intensification condition that widens the effective possibilities of the qualitative growth factors, especially of scientific-technical progress. This close connection is indicated, among other things, in the 10th SED Congress guideline for the future cooperation with the USSR in the field of international production specialization and cooperation. "This cooperation is so organized that the capacities in both countries are used still more efficiently. Existing stable lines in the division of labor are carried on. Then it also becomes a matter of making agreements on new specialized production. That applies especially to working materials, machine systems and aggregates and other end products."[3]

As was emphasized during the friendly meeting between Comrade L. I. Brezhnev and Comrade Erich Honecker in August this year, the current five-year plan envisages a significant expansion in production cooperation. That concerns the branches which in a particular sense determine scientific-technical progress. A special role attaches here to joint development projects in microelectronics and robot construction. The program has laid down that the GDR will take part in the modernization of the Soviet light and foodstuffs industry and in building gas pipelines and other objects on USSR territory, which are matters of special importance for satisfying the economic needs of the countries in the socialist community. The USSR in turn will assist the GDR in building nuclear and thermal power plants.

The implementation of the specialization program raises production efficiency in many branches. It creates the bases for more rapidly resolving social problems. Quite some machines and equipment are being developed, e.g., that make the work of workers and employees easier. Through implementing the branch-specific specialization and cooperation programs we produce the necessary preconditions for concentrating our production, introducing top achievements and producing new high-grade commodities and goods.

A Program of Comprehensive Character

The GDR-USSR production specialization and cooperation program is a document that authoritatively sets down the trends and concrete content of the two states' cooperation up to 1990 within the framework of socialist economic integration in CEMA.

The specialization program entails all sides of the scientific-technical and the economic cooperation between the GDR and the USSR. It is comprehensive in character and sets down measures for the

--joint development of modern technologies (especially resource-saving methods) in important branches in the basic materials industry and, mainly, in branches that are of crucial importance for accelerating our scientific-technical progress in the current phase;

--joint intensification or rationalization of important production processes in both countries;

--satisfaction of raw material and fuel requirements, including measures that make available appropriate equipment for the extraction branches concerned; and

--more effective extension of existing international specializations with long-time traditions (e.g. in tracked vehicle construction, ship building, chemical plant construction, rolling-mill and open-pit mining equipment and so forth) and exploring new fields for international specialization and cooperation (e.g., in branches of importance to the introduction of modern technologies and control systems throughout the economy, in areas of ancillary industries and so forth).

This specialization program serves to speed up our scientific-technical progress by exploiting the advantages resulting from socialist economic integration for equitable and comradely cooperation. This has far-reaching implications for perfecting the production structure in line with the reproduction conditions for the 1980's.

This specialization program, jointly prepared and completed still during the 1976-1980 five-year plan period, ranges over a period of 12 years and thus covers several five-year plans, tying them together within the framework of a uniform and long-term cooperation strategy. It bears witness to how the CPSU and the SED, while taking account of the in part very different internal and external conditions in the 1970's, have picked up newly ripened matters in good time and conceived and agreed on their joint solution long-range. This also reflects the higher level of cooperation between our countries in the field of socialist economic integration.

Gradual Implementation

The GDR-USSR production specialization and cooperation program is closely tied to the long-term cooperation target programs representing the coordinated strategy of the CEMA countries for jointly resolving important economic problems. They are being implemented step by step through working out detailed bilateral and multilateral agreements among the CEMA countries concerned in each case. Between CEMA's 32nd and 33rd conference alone 22 multilateral accords were signed on specifying and implementing these target programs between the governments of the CEMA countries concerned. They deal, e.g., with the production of nuclear power plants, energy-intensive chemical products, seed yeast, the joint construction of a nuclear power plant in Khmelnitski, USSR, with an appropriate cross-country line to Rzeszow, Poland and other matters.

The measures of bilateral specialization programs are implemented in firm conformity with the tasks of the target programs or the accords concluded with respect to them or in preparation. The program thus holds an outstanding position within the GDR's overall system of scientific-technical and economic cooperation in CEMA and played a crucial role in plan coordination for 1981-1985 between the GDR and the USSR.[4] "For the implementation of this far-reaching document (Author: of the specialization program), through the results of plan coordination for the first five-year stage, important economic tasks are solved and mutual commodity deliveries are arranged that are of great importance to stabilizing economic development in both countries up to 1985."[5]

Based on the specialization programs, the main specialization trends for important branches have been worked out. They render the general accords of the program more concrete. These specifications come primarily from the competent ministries and combines. It means the system of direct relations between the ministries and

the large economic units in both countries (i.e. the combines and the production associations) has been solidified and expanded within the scope of binding central orientations and accords. The central tasks have thereby been supplemented organically and detailed by the management and economic organs that are directly responsible for the implementation of the integration measures.

All measures of the specialization program are in essence aimed at improving economic efficiency. That is conformed to by approaching the preparation of the accords and agreeements needed to implement the program. The point of departure generally for improving the effectiveness of the decisive scientific-technical problem in any given branch is, e.g., setting up new basic technologies for microelectronics. The stipulations for division of labor R&D tasks are supplemented by accords on how to divide up the production programs, on applying scientific-technical data in production, and on the mutual exchange of pertinent products. These are comprehensive cooperation measures embracing the various parts of the interlinking reproduction processes, by means of the division of labor, in both countries. Therefore the functioning of one's own reproduction process and, above all, its greater efficiency, depend increasingly on consistently meeting the mutual obligations within the scope of the specialization program. That is a great political and economic task. Socialist internationalism finds its expression here in the full assumption of one's own responsibility for fulfilling the tasks contracted with the USSR, proper as to qualities, deadlines and assortments.

The 28th session of the GDR-USSR Parity Government Commission in June 1981 took essential steps toward implementing the specialization program.[6] Both the jointly contracted tasks and the accords signed reflect the consistent orientation of this cooperation to decisive measures that make for greater efficiency. That includes the production of new basic technologies for microelectronics, the development and production of new microelectronic commodities and of special equipment for this branch. It includes the deepening and expansion of our current specialization in rolling-mill equipment, wire drawing, cable and stranding machines, the development of new designs and techniques in the building industry and the joint production rationalization for glass silk or the development of automated control systems for certain technological processes, e.g. blast-furnaces, chemical plants and gas pipelines.

The great number of accords already achieved makes directly visible how much the two countries have increasingly in common and that their interests are identical.

The implementation of the production specialization and cooperation program is of the greatest weight to our smoothly continuing our policy, which is oriented to the welfare of the people. At the same time it demands of us conscientiously to fulfill everywhere and always the export obligations assumed for modern machines, equipment, chemical products and consumer goods, proper as to deadlines and qualities, as all other measures laid down. That is a precept of high economic and political rank, which the party organizations also must constantly pay attention to in their ideological work. Thereby we will help, after all, consolidate our cooperation for our mutual advantage and continue in shaping with success our socialist economic integration in response to the new and higher demands of the 1980's.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 82.

2. L. I. Brezhnev, "26th CPSU Congress--CPSU Central Committee Status Report and the Next Party Tasks in Domestic and Foreign Policy," Dietz publishing house, Berlin, 1981, p 13.

3. Comrade Erich Honecker, op. cit., p 84.

4. Cf. "Important Steps on the Specialization and Cooperation Course," NEUES DEUTSCHLAND, 3 February 1980, p 3.

5. Ibid.

6. Cf. "New Steps to Deepen Specialization and Cooperation," NEUES DEUTSCHLAND, 1 July 1981, p 6.

5885
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POLISH OFFICIALS INTERVIEWED ON COUNTRY'S REFORM, ECONOMIC PROSPECTS

Budapest HETI VILÁGGAZDASÁG in Hungarian 31 Oct 81 pp 9-11

[Interview by Tamás Boronkay with Ryszard Cwiernia, chief of the department of state planning commission, Jerzy Szczepkowski, vice president of the Polish foreign trade bank, and Wladislaw Gwiazda, deputy minister of foreign trade. Place and date not given.]

[Text] The writer of this article went to Poland recently where he talked to a few economic leaders. The following are excerpts from interviews with Ryszard Cwiernia, chief of the department of state planning commission, Jerzy Szczepkowski, vice president of the Polish foreign trade bank, and Wladislaw Gwiazda, deputy minister of foreign trade. With regard to the third interview, it must be mentioned that the deputy minister does not mention the fact that Polish-Hungarian deliveries are smaller this year than last year on both sides, e.g., Poland is shipping less coal this year: in 1979, 444,000 tons of soft coal and hard coal arrived from Poland; in 1980, 364,000 tons; this year's quota is only 320,000 tons.

[Question] 1 January 1982 is the planned start of the economic reform. It is not possible that the enterprises, in the absence of many important regulations, will not know what to do, and that this will further aggravate the already existing problems?

[Ryszard Cwierna] The reform's two basic laws (concerning state enterprises and enterprise autonomy) have been passed already; these indicate the main direction. By the end of October, the regulations concerning the reform of the system of planning and statistics, the financial and tax system, product marketing, and the banking and pricing system will be made; by the end of November, the regulations of the new mechanism, together with the order of implementation, will reach the enterprises. The time is indeed unfavorable for the introduction of the reform; but, quite simply, there is no other alternative.

The debate with Solidarity now is primarily on questions of quantity: how much money should remain at the enterprise, what the tax rate should be, what proportion of the amortization should remain at the enterprise, and whether the enterprises should be limited in the use of profits that remain after paying the taxes. I think that, after the bargaining, we will stop somewhere in the middle of the road. If the Sejm cannot accept the laws by the introduction of the

reform, there is no legal obstacle for a temporary solution. The necessity of making laws from economic regulations is justified by the bad experience of the 1970s when the regulations changed constantly.

[Question] The market situation is strained; the reform of the economic management system cannot be started without a price reform. What will be the basis of the producer's price reform?

[R.C.] We would like to have a price system that is similar to that in Hungary. We would like to adapt the prices to world market prices, i.e., to the Polish enterprises' export prices. The price reform in January will be introduced "from above" but, beginning with the new year, the enterprises will be able to determine the prices--of course, by adhering to the related regulations.

[Question] How does the reform affect the enterprise organization?

[R.C.] The goal is to create as much enterprise autonomy as possible. The majority of gigantic enterprise associations and corporations will be abolished, except in certain machine industrial branches where they will remain compulsory. We would like to achieve that in certain areas the enterprises join associations voluntarily, e.g., for continued material supply and for the organization of maintenance. We would like to intensify enterprise competition, that is why we are working on an antimonopoly law. We have already introduced the so-called small reform at midyear; this is an incentive for founding small enterprises and small cooperatives and creates better conditions for the operation of small private industry. The goal is that those who manufacture in small volume for the local market be able to work with a relatively small capital and as little constrictions as possible.

[Question] According to many people, the law on autonomy is unclear, can be interpreted in many ways, and it is difficult to see what it means in reality.

[R.C.] I think the law is very concise and clear. The director of the enterprise is, in all cases, selected by competition. The competition jury includes three representatives of the council of self-government; a representative of the founding organization; a representative of the bank that finances the operation; and delegates of trade unions, party, and youth organizations. In industrial branches that are strategically important, the organization of the competition jury is the task of the founding organizations, i.e., the state; in other cases, it is the task of the autonomous organization. In case the jury is set up by the state, the autonomous organ has a veto right; in other cases, this right belongs to the state.

[Question] Many people are afraid that the reform will cause a high rate of unemployment in Poland.

[R.C.] We are striving to avoid unemployment. We have taken several measures to avoid it. Early retirement is made possible, retraining is being encouraged, favorable conditions are being created for those who temporarily move out of big cities, financial aid is being given for the starting of small industrial plants. Many factories and several large plants in Warsaw have an acute shortage of labor;

they would be happy to hire workers not needed elsewhere; anyone can work in mines, in hospitals, or in public sanitation. I am afraid most of all of unemployment among engineers. Investments must be radically decreased and, for this reason, many engineers may lose their jobs.

[Question] One could read in the Western press that serious consideration was being given to sending guest workers abroad.

[R.C.] We do not have a guest worker system in the Western sense. If a Polish enterprise is working on an investment project abroad, its labor force includes Polish workers even now; this could be expanded. It is a further possibility that the Polish state, as an agent, would send Polish workers abroad in an organized way.

[Question] It is difficult to make a prognosis now, but when can it be expected that the lines in front of stores will disappear?

[R.C.] I think there could be a general improvement (relative to the present situation) by the second half of this year. A significant and lasting change is feasible only in 2 or 3 years. Much depends on external circumstances, on the creditors, on the help given by the CEMA-countries, and on domestic coal production. If we could significantly increase coal production, stabilization could be speeded up. Of course, much depends on political stabilization as well, because that is the basic requirement for economic consolidation.

[Question] One could hear at the beginning of the year that Poland owes $27 billion to the West, but officials now quote a smaller sum. How much does Poland actually owe?

[Jerzy Szczepkowski] About $23 to $24 billion. Of this, 40 to 45 percent constitutes guaranteed loans by countries giving credit, the rest is made up by credits given by private capitalist banks.

[Question] There have been talks for some time now about rescheduling repayments. How much extension are you seeking?

[J.Sz.] We do not think the Polish economy will be in a position during the next 3 years to pay its debts; thus, we are seeking an extension until the end of 1983 at least. Until that time, two-thirds of the debt should be payed.

[Question] The role of the zloty has been diminished in domestic barter: the peasants sell their produce for coal and industrial products.

[J.Sz.) The reason for this is that there is an immense amount of zlotys in circulation uncovered by products. According to calculations, the sum of money that cannot be spent because of a shortage of products is increasing daily by 1 to 1.5 billion zlotys. The superfluous volume of zlotys can reach 700 billion by the year's end.

[Question] Have you considered a general currency reform?

[J.Sz.) There are two plans to tie down the superfluous volume of zlotys. One involves a large state loan, and the other involves the investment of the compensation given for the price increases by those with higher incomes in long-term state bonds.

[Question] What are Poland's trade relations with the other CEMA-countries?

[Wladislaw Gwiazda] It seemed at the beginning of this year that we would be unable to counterbalance our purchases in socialist countries with adequate exports. Reality contradicted this view. Not counting the Soviet Union, which sends us more goods than we can send them, our trade with the other CEMA-countries is well balanced; on the other hand, neither our export plans nor the resulting import plans can be implemented. In the case of a few raw materials, Polish deliveries are going at a brisk pace, e.g., those of sulphur and cokes. On the other hand, the coal situation is not so good: our coal production is less than was originally planned for last year.

[Question] What kind of help are the socialist countries giving in coping with the difficulties in supply?

[W.G.] At the end of last year, several socialist countries sent us consumer products above their quotas, including food. These shipments cannot, of course, solve our problems; they much rather indicate an international reaction to our difficulties. It was also a great help for us that we were allowed to maintain an adverse balance of payments. This was indicated in the annual protocol.

The great help the Soviet Union was, and is, giving us is another chapter. This help includes deliveries of the most important raw materials, credit, and the extension of our obligations in paying our debts in dollars.

[Question] What is the situation in Polish-Hungarian barter?

[W.G.] There is no special problem in the mutual trade, i.e., in the implementation of the commercial protocol; indeed, Polish exports are ahead of Hungarian exports to Poland. The quotas in the barter agreement for this year allow a volume of Polish imports worth 309 million rubles. We were able to tie down 100 percent of the contingents through private legal contracts. The primary reason for the Polish surplus of balance is that the contracts specify most Hungarian shipments for the second half of the year. Thus, we will import fruit in the fall and, in addition, the shipments of 44 million rubles worth of busses have begun; thus, the balance will be even. Hungary also helped in that it allowed us to ship "soft" products for "hard" ones above the contingents. I must say that, under the present conditions, it is quite different products that make up the category of hard products. They are the shortage goods. Thus, in addition, to basic food products, we consider cigarettes and washing detergents, for example, as hard products which we purchased from Hungary for Fiat 126 cars that are now more dispensable. We also are importing meat from Hungary, for dollars; this is good for both parties since the vicinity of the two countries reduces the cost of shipment.

[Question] Poland made the proposal several times that it would cooperate with socialist countries in its use of free production capacities. What does this mean in practice?

[W.G.] The proposals for cooperation are concerned basically with three areas. We have unfinished investment projects and machines imported from capitalist countries that have not been used yet; we also have capacities stopped because of a lack of raw materials. We would like to finish our investment projects with the help of the socialist countries and would like to sell certain products and production equipment. In addition, we would buy raw materials for products made with this equipment. I do not want to mention concrete things, as the problem is complex and every case must be examined individually. Talks have been going on since the beginning of the year and, in many cases, came to a stage where only the examination of certain details remains.

9414
CSO: 2500/54

NEW AGRICULTURAL PRICE ADJUSTMENTS EXPLAINED, SURVEYED

Explanation of Adjustments

Bratislava ROLNICKE NOVINY in Slovak 18 Nov 81 p 7

[Article by Dr Ladislav Smitka, Federal Ministry of Agriculture and Food: "On Adjustments of Procurement Prices and Other Price Tools in Agriculture Beginning From 1982"]

[Text] A significant part of the Set of Measures for Improving Planned Management in Agriculture, approved at the Fourth Plenum of the CPCZ Central Committee on 29 October 1981, involves adjustments of procurement prices of agricultural products and other price tools in agriculture, including adjustments of certain material inputs in agriculture. In their scope and importance, they represent the most fundamental changes during the whole period of our system of agricultural management because in their final expression they amount to almost Kcs 10 billion, i.e., approximately 11 percent of the total income derived from agricultural products.

A subtantial part of this increase in procurement prices and other tools of compensation for agricultural products, almost Kcs 7 billion, involves compensation for higher costs of agricultural organizations due to:

1. Higher sales prices for industrial fodder mixes as a result of the termination of subsidies of their wholesale prices from the state budget. As of 1 January sales prices of fodder mixes for agricultural enterprises increase on the average by 15.6 percent, i.e., by a total of Kcs 2.5 billion.

This measure intends to balance more realistically animal products based on fodder mixes and those produced mainly on the basis of bulk fodders which are not subsidized. Thus, more effective economic pressures are exerted so as to rationalize utilization of imported and domestic protein and grain fodders in general and to improve the exploitation of our domestic bulk fodders, meadows and pastures, fodders obtained as side products, fodder waste, etc.

The increases involve sales prices of fodder mixes (for orientation in Kcs per ton) for:

	from	to
--Hog fattening	1,960	2,270
--Suckling pigs	3,890	4,500
--Other hogs	2,040	2,360
--Laying hens	2,300	2,670
--Broilers	2,615	3,020
--Other poultry	2,540	2,940
--Milking cows	1,700	1,970
--Fattening of beef cattle	1,640	1,890
--Calves	1,940	2,240
--Other cattle	1,680	1,930
--Sheep	1,960	2,270

Following an approval of their rates, new prices of individual fodder mixes will be announced before the end of this year.

With the exception of partial phaseout in hogs, higher costs are fully reflected in higher procurement prices of animal products.

2. Due to higher prices of crude oil and of light fuel and lubricating oils in force as of 15 October 1981; agricultural organizations and other economic organizations must compensate for a certain part of this effect (20 percent) in their costs by implementing rationalization and reducing specific consumption.

Agriculture is one of the highest consumers of power fuels and light heating oils in our national economy and in terms of transport, it is the largest transporter in our state in general.

Lower consumption of fuels and power, which is absolutely imperative, in addition to immediate regulations, also demands a reassessment of certain types of technology consuming excessive amounts of fuels and power.

Cost increases in our agriculture amount to Kcs 1.7 billion and this effect had to be balanced by raising the compensation for prices of agricultural products in a differentiated manner, with consideration of energy consumption in individual types of production. Periodical surcharges agreed upon in contracts apply to procurement prices for main kinds of greenhouse-grown vegetables produced by socialist agricultural organizations using light heating oils or crude oil in their cultivation of greenhouse produce. According to contracts with agricultural supply and procurement enterprises, socialist agricultural organizations which dehydrate fodders and root crops in hot-air driers heated with light heating oil or with crude oil receive subsidies in the amount of Kcs 470 per ton of delivered dehydrated materials of standard quality. No other production of dehydrated substances will be subsidized.

3. Due to higher wholesale prices of certain types of machine equipment and metallurgical and construction materials as a result of the second stage of a one-time adjustment of wholesale prices of fuel and energy resources in force as of 1 January 1982, because higher prices of fuels and power are reflected in production with higher consumption of energy.

The total effect of changes in operating and investment costs in our agriculture amounts to Kcs 2.3 billion and is reflected in its full scope in higher compensation for the agriculture.

In terms of inputs in the agriculture price regulations aiming primarily at higher efficiency are used to raise the level of procurement prices and other price tools and concurrently, to improve the balance between procurement prices of individual agricultural products, to mitigate the differences in their returns and to give preferential treatment to those products whose development has priority and is in the interest of our whole society.

Another vital factor enhancing the role of procurement prices of agricultural products and other price tools in agriculture is higher overall compensation to agriculture from societywide resources amounting to almost Kcs 3 billion. It was adopted on the basis of thorough analyses of cost developments and of our agricultural production in the Sixth Five-Year Plan in order to increase returns on agricultural products and to improve the khozrashchet system of our agricultural organizations and, thus, to stimulate their material incentives and responsibility for the results of production independently of any subsequent balancing of the results of the management with financial allocations and subsidies from the state budget.

The approved redistribution of financial resources to the benefit of our agriculture represents an increase in current average returns of our agricultural enterprises by about 3 percent, i.e., 10 to 11 percent of returns on costs. Thus, in conjunction with other changes in the planned agricultural management system, especially in planning and in material incentives, this provides the basic precondition for more efficient implementation of principles stipulated in the Set of Measures for Improving the Planned Management System of National Economy after 1980 in our agriculture.

The enhanced role of prices in the area of agricultural inputs as well as in overall compensation for agricultural products poses at the same time higher demands on agricultural enterprises in the state and cooperative sectors, compelling them to use in more stringent conditions all sources for production, their own as well as procured ones, as efficiently as possible in order to intensify agricultural production and its quality, to detect and utilize their own untapped assets and to reduce waste which adds to costs and impairs efficiency, because this is for them the only way to make their production more lucrative, to consolidate their own economic position and to fulfill their planned tasks in the interest of our society and in their own interest. That is the main purpose and motivation of all newly adopted regulations in the planned agricultural management system.

The measures regulating procurement prices and other price tools follow the same objectives. The balanced effects of higher prices of inputs and increased compensation for our agriculture from societywide resources are reflected in a differentiated manner in higher levels of prices for agricultural products so as to increase the functional effect of procurement prices in relation to the regulation of a desirable structure in agricultural production in agreement with the structure of our society. In general, of first priority are the products in which our society is most interested and for which for various reasons the planned objectives in the development of whose production thus far was not able to be met, and next are goods for import or goods whose production reduces the need for imports.

More than one-half, i.e., over Kcs 5 billion of the overall price increase of agricultural compensations, has been earmarked to render cattle raising, particularly the production of fattened slaughter cattle and milk, more lucrative. Procurement prices of fattened cattle are raised by Kcs 3 to 3.50 per kg of live weight and procurement prices of milk of first quality by Kcs 0.50 per liter. Furthermore, the aspect of quality of production is emphasized in prices of individual categories of quality.

Higher procurement prices for beef exceed by more than one-half the envisaged rise in costs due to higher costs for inputs and intermediate goods; in every agricultural enterprise and in all natural conditions this should guarantee adequate returns on the production of milk and of all categories of cattle, on the premise, however, that our agricultural organizations take steps to curtail further increases of costs in cattle raising, that they utilize with utmost efficiency and in required quality all meadows, pastures and all sources of bulk fodders, and the yield of milking cows be increased and the whole process of reproduction in cattle raising be improved, and in particular, that the increments in the weight of the cattle be increased and beef production, which will be the main source of higher meat supply in the nearest period, be stepped up.

Subsidies for cattle raising correspond with the importance of this essential sector of agricultural production during the Seventh Five-Year Plan; its results will determine to a major extent the economic returns for most agricultural enterprises. New procurement prices for slaughter cattle will also apply in contracts for cattle fattening, which further improves the preconditions for its expansion.

In addition, there are changes in certain supplemental price tools in cattle raising which are a part of overall price compensation for milk and cattle. In terms of milk, current supplements granted in a differentiated way according to the share of intensively used meadows and pastures have been canceled in conjunction with higher procurement prices and with measures concerning differentiated surcharges. In past years, such surcharges played an important role as supplemental price tools, especially in enterprises with a high share of grain funds, and stimulated their economical use. Following the progressively increased differentiation in the rate of that surcharge dating from 1980, however,

some shortcomings in this system became apparent; in particular, enterprises on the borderline of individual rates displayed tendencies to turn arable lands into agricultural lands. Analogically, the middle echelons of management interpreted in various ways the concept of "intensively exploited meadows and pastures."

Supplemental price tools remain in force in the category of milk where they have proved effective, particularly as concerns initial and special surcharges. The ceiling for its grant has been increased in the SSR from 850 to 1,000 liters per hectare of agricultural lands (with the exception of enterprises with Pinzgau cattle predominating).

In slaughter cattle, bonuses for fattening of steers for higher slaughter weight have been canceled; financial assets were transferred to the highest category of slaughter steers whose procurement price was increased from Kcs 20.50 to Kcs 24 per kg of live weight.

The surcharge on procurement prices for primiparae of category A remains valid and is increased to Kcs 5.50 per kg of live weight due to higher differentiation of prices of slaughter cows and fattened cattle.

Bonuses for calves raised in large calf stations, special premiums for pasture-raised heifers, premiums for cooperation in procurement of pregnant heifers, subsidies for the procurement of pregnant primiparae transferred from different areas and, in the SSR, premiums for an increment in the number of cows also remain in force.

Procurement prices for all sheep products increased at approximately the same ratio as those for cattle raising.

Procurement prices for weaned pigs increased from Kcs 25 to 27 and for slaughter hogs from Kcs 15.50 to 17 per kg of live weight. Here the costs increased somewhat more due to higher prices of feed mixes and other inputs and thus, current returns on hog production will be reduced about 10 percent on the average. Bonuses for higher numbers of weaned pigs are terminated (as of the fourth quarter of this year).

Procurement prices for all types of slaughter poultry and for eggs are increased approximately in accordance with the cost increase stemming from higher prices of feed mixes and other inputs.

Similarly, prices of bee honey and venison are markedly raised.

The most important price regulations in plant production concern higher procurement prices for potatoes in all categories of ultility, with more distinctive price differentiation in the procurement of potatoes according to quality and period of storage, furthermore, of sugar beets, chicory, mustard and flax, where a new standard of quality introduced simultaneously considers the criteria of quality achievable under current technological conditions of their cultivation and harvesting. At the same time, current special bonuses for potatoes and sugar beets are terminated and financial assets assigned directly to procurement prices.

Furthermore, procurement prices of hops and tobacco are increased; their costs will be higher due to adjustments in prices of crude oil and light heating oils.

The surcharge on procurement prices of maize and rye procured on the basis of concluded contracts for state funds are increased and new surcharges on procurement prices of oats delivered for state and fodder funds are introduced.

Adjustments for the prices of these grain crops intend to balance their returns with other grain crops and consider higher costs of fuels.

Price tools for paprika, spices, garlic and lentils have also been adjusted.

As a result of unresolved mass technology (with the exception of caraway seeds), bonuses for specialization in paprika and individual spices failed to satisfy adequately our social needs; surcharges on procurement prices are introduced here to apply in all contracts with the suppliers, including private producers.

Specialization bonuses remain valid for garlic and lentils where production is considerably concentrated in specialized agricultural enterprises; the conditions for the allocation of bonuses have been simplified.

Selected types of vegetables and fruits (especially kinds suitable for winter storage, such as carrots, parsley, parsnips, celery root, red beets, kohlrabi, yellow onions and garlic, cabbage, winter apples and pears) are included among products entitled to differentiated surcharges in support of their production in less favorable environments and to reduce interarea transport.

Price adjustments also affect certain intermediate agricultural products, particularly in breeding, slaughter and fattening cattle. In addition to increased procurement prices due to higher prices of certain inputs and in relation to the adjustment of procurement prices of finished products, cattle for fattening is included in the regulation, according to which prices for cooperation in fattening of heifers, as listed in the price list, are regarded as the ceiling (the prices agreed upon in the contract apply).

Procurement prices for fattened young steers of meaty stocks and their crossbreeds may be increased in agreement between the supplier and the consumer, however, no more than Kcs 2 or 3 per kg of live weight as compared with other breeds.

Procurement prices are adjusted also in the sector of seed and seedlings where preferential prices are paid to the highest stages (or preliminary stages) of propagation, however, with almost no effect on the price of seed for regular cultivation.

A detailed survey of regulations on agricultural prices and supplemental price tools valid as of 1982 is presented in a separate supplement.

Another important aspect of price regulations introduced in our agriculture as of 1982 is a systematic adjustment of differentiation surcharges which, together with land taxes (their rates remain unchanged) help resolve the differentiation in the incomes of agricultural organizations operating in individual areas under different climatic conditions.

Higher procurement prices of numerous agricultural products (including transfer of certain supplemental price tools directly to procurement prices) expand the basis for grants of differentiation surcharges to agricultural organizations operating in less favorable environmental conditions and entitled to differentiation surcharges.

In addition, as concerns products typical for production under less advantageous environmental conditions, i.e., products of cattle- and sheep-raising (milk, slaughter cattle, slaughter calves, cattle for slaughter, breeding and fattening, wool, sheep for slaughter and breeding, sheep cheese) and potatoes of all utility categories, the credit for receipts for those products is increased to 140 percent in claims for differentiation surcharges. As stated above, in milk, slaughter lambs and sheep cheese this regulation counterbalances to a certain extent the surcharges based on the share of intensively utilized meadows and pastures which have been terminated.

In addition to the income, the credit advantages for receipts for the above-mentioned products included in the claim for differentiation surcharges aim at more effective economic support of agricultural enterprises specializing in products typical for less advantageous environmental conditions, including specialization in individual cattle-raising categories, promotion of cooperation in fattening of heifers and intensive utilization of meadows and pastures.

A distinctive step to a balance in profitability of the production of individual agricultural products, which will be introduced in 1982, provides at the same time one of the inevitable preconditions for the implementation of new regulations in planning and intensifying the integration of agricultural organizations, consumers and processors of agricultural products.

New price regulations to be implemented in our agriculture in 1982 include another important tool, namely, bonuses for increased agricultural market production as a whole, as compared with the average for the preceding 3 years. This significant new regulation demands that our agricultural public be acquainted in a separate article with its purpose and with a methodical approach in the calculation of claims.

Survey of Pricing Policies

Bratislava ROLNICKE NOVINY in Slovak 18 Nov 81 Supplement pp 1-15

[Text] Regulations for improving the planned agricultural management system beginning in 1982, approved at the Fourth Plenum of the CPCZ Central Committee, contain the principles of better management, improved planning, changes in economic policies, particularly in prices of agricultural needs and in procurement prices of agricultural products, as well as new principles for the implementation of the material incentive system. In the preceding supplement of ROLNICKE NOVINY dated 5 November, we published an excerpt from decision No 249/81 by the CSSR Government concerning these issues. Today we present a supplement concerning adjustments of procurement prices and other price tools in agriculture. It contains tables listing the prices of individual products derived from plants and animals. The supplement is designated for agricultural managers and its purpose is to serve as a methodological aid to a wide aktiv of the whole agricultural system. The enhanced role of prices in the area of inputs in agriculture and in all compensation for production poses considerable demands on enterprises in the state and cooperative sectors. On page 7 we present a commentary concerning the table section.

A. Plant Products (in Kcs per ton)

I.	Current situation - before the end of 1981				Adjustments beginning in 1982			
	Quality	NP*	Surcharge to NP	Bonus	Quality	NP	Surcharge to NP	Bonus
Early potatoes	Highest NP	2,500	1,300	--	Highest NP	3,000	1,500	--
	Lowest NP	1,150	100	--	Lowest NP	1,500	50	--
Late potatoes for consumption					Salad type - Procurement:			
	Salad type	1,800	--	110	Before 30 November	2,400	--	--
	Quality I	1,150	--	110	1 - 31 December	2,680	--	--
	II	1,000	--	110	1 - 31 January	2,750	--	--
	For industrial processing	1,100	--	110	1 - 28 (29) February	2,830	--	--
	Compensation for storage, incl. delivery losses:				1 - 15 March	2,900	--	--
					16-31 March	2,950	--	--
	Harvest year-				1 - 15 April	3,000	--	--
	in December	250	--	--	16 - 30 April	3,050	--	--
	Following year				1 - 15 May	3,100	--	--
	in January	280	--	--	16 May and after	3,200	--	--
	in February	300	--	--	I. quality - procurement:			
	in March	330	--	--	Before 30 November	1,500	--	--
	in April	400	--	--	1 - 31 December	1,780	--	--
	in May	500	--	--	1 - 31 January	1,850	--	--
	in June	600	--	--	1 - 28 (29) February	1,930	--	--
					1 - 15 March	2,000	--	--
					16 - 31 March	2,050	--	--
					1 - 15 April	2,100	--	--
					16 - 30 April	2,150	--	--
					1 - 15 May	2,200	--	--
					16 May and after	2,300	--	--

* New Price

[continued]

A. Plant Products (continued)

Quality	Adjustments beginning in 1982 NP	Surcharge to NP	Bonus
II. Quality - Procurement:			
Before 30 November	1,100	--	--
1 - 31 December	1,380	--	--
1 - 31 January	1,450	--	--
1 - 28 (29) February	1,530	--	--
1 - 15 March	1,600	--	--
16 - 31 March	1,650	--	--
1 - 15 April	1,700	--	--
16 - 30 April	1,750	--	--
1 - 15 May	1,800	--	--
16 May and after	1,900	--	--

II. Current situation - before the end of 1981

	Quality	NP	Surcharge to NP	Bonus
Potatoes for consumption - late (cont.)				
Industrial	Starch contents 16 percent	670	--	--
	Spec. bonus for 1 t starch	—	--	600
Seed potatoes	Uniform sorting - grade propagation P - procurement:			
	harvest year prior to 31 December	1,290	--	140
	following year after 1 January	1,290	600	140
Peeled potatoes	Peeling thus far for wages only - payment for peeling Kcs 1,750 per ton of peeled potatoes	--	--	--
Surcharge to NP of potato packaging for small consumers (incl. packaging material)	Packaging for small consumers thus far for wages only	--	--	--

Adjustments beginning in 1982

Quality	NP	Surcharge to NP	Bonus
For industrial processing - procurement:			
Prior to 30-11	1,300	--	--
1-31 December	1,580	--	--
1-31 January	1,650	--	--
Starch contents 15 percent	800	--	--
--	--	--	--
Uniform sorting - grade propagation P - procurement:			
harvest year prior to 31 December	1,700	--	--
following year after 1 January	1,700	600	--
with purchase:			
before 31 November	3,830	--	--
1 - 31 December	4,350	--	--
1 - 31 January	4,480	--	--
1 - 28 (29) February	4,640	--	--
1 - 15 March	4,770	--	--
16 - 31 March	4,860	--	--
1 - 15 April	4,960	--	--
16 - 30 April	5,050	--	--
1 - 15 May	5,140	--	--
16 May and after	5,330	--	--
Packages:			
2 kg each	340	--	--
3 kg each	420	--	--
5 kg each	300	--	--
10 kg each	270	—	--

III. Current situation - until the end of 1981

	Quality	NP	Surcharge to NP	Bonus
Rye		1,550	150	--
Oats	For food	1,800	--	--
	fodder	1,550	--	--
Maize	For starch	2,100	100	--
	Industrial	1,850	100	--
Malt barley	Quality I	1,700	200	--
	II	1,700	--	--
Flax on stem - retted	Quality I	5,000	--	--
	II	4,200	--	--
	III	3,400	--	--
	IV	2,800	--	--
	V	2,200	--	--
	VI	1,200	--	--
Flax seed		5,800	--	--

Adjustments beginning in 1982

Quality	NP	Surcharge to NP	Bonus
	1,550	300	--
For food	1,800	150	--
fodder	1,550	150	--
For starch	2,100	250	--
Industrial	1,850	250	--
Quality I	1,700	300	--
II	1,700	150	--
III	1,700	0	--
Quality I	4,200	--	--
II	3,200	--	--
(new CZN)* III	2,600	--	--
IV	1,200	--	--
Only in the SSR: According to regulations of the MPVz** and with concentration: under 30 ha	--	0	--
31 - 50 ha	--	200	--
51 - 100 ha	--	300	--
101 - 200 ha	--	400	--
over 200 ha	--	500	--
	6,000	--	--

* CZN - Czechoslovak Standard
** MPVz - Ministry of Agriculture and Food

[continued]

[III. continued]

	Quality	NP	Surcharge to NP	Bonus	Quality	NP	Surcharge to NP	Bonus
Mustard seed	White and black	6,000	--	--	White and black	8,000	--	--
Sugar beets		350	--	--		370		
					Bonus for fulfillment of long-term agricultural contracts	--	--	10
Chicory		700	--	--		1,000	--	--

IV.	Current situation - before the end of 1981				Adjustments beginning in 1982			
	Quality		NP	Surcharge	Bonus	Quality	NP	Surcharge	Bonus
Hops	Quality I		85,000	--	--	Quality I	88,000	--	--
		II	74,000	--	--	II	77,000	--	--
		III	60,000	--	--	III	63,000	--	--
		IV	40,000	--	--	IV	43,000	--	--
	For Zatec production area:					For Zatec production area:			
	Quality I		--	10,000	--	Quality I	--	10,000	--
		II	--	8,500	--	II	--	8,500	--
		III	--	6,500	--	III	--	6,500	--
	For Ustek production area:					For Ustek production area:			
	Quality I		--	6,000	--	Quality I	--	6,000	--
		II	--	5,100	--	II	--	5,100	--
		III	--	3,900	--	III	--	3,900	--
Tobacco - cigaret - Virginia type	Quality I		50,000	--	--	Quality I	51,500	--	--
		II	40,000	--	--	II	41,500	--	--
		III	32,000	--	--	III	33,500	--	--
		IV	17,000	--	--	IV	18,500	--	--
Virginia type P (artif. dried)	Quality I		36,000	--	--	Quality I	37,500	--	--
		II	32,000	--	--	II	33,500	--	--
		III	9,000	--	--	III	10,500	--	--
Virginia type P (naturally dried)	Quality I		30,000	--	--	Quality I	31,500	--	--
		II	23,000	--	--	II	24,500	--	--
		III	9,000	--	--	III	10,500	--	--
Szabolcs type and garden type	Quality I		33,000	--	--	Quality I	34,500	--	--
		II	22,000	--	--	II	23,500	--	--
		III	8,000	--	--	III	9,500	--	--

[continued]

IV. [continued]

	Quality	NP	Surcharge	Bonus	Quality	NP	Surcharge	Bonus
Burley artif. dried	Quality I	33,000	--	--	Quality I	34,500	--	--
	II	25,000	--	--	II	26,500	--	--
	III	9,000	--	--	III	10,500	--	--

V.	Current situation - before the end of 1981				Adjustments beginning in 1982			
	Quality	NP	Surcharge on NP	Bonus	Quality	NP	Surcharge on NP	Bonus
Tobacco (cont.)								
Burley -								
naturally	Quality I	30,000	--	--	Quality I	31,500	--	--
dried	II	23,000	--	--	II	24,500	--	--
	III	9,000	--	--	III	10,500	--	--
Pipe:								
Havana	Quality I	30,000	--	--	Quality I	31,500	--	--
	II	23,000	--	--	II	24,500	--	--
Lentils	Minimum harvest			Percent of				Percent of
edible,	area - 50 ha			of NP				NP
incl.		--	--	10	Minimum delivery	--	--	10
seed					30 tons			
Garlic	With harvest area:			Percent	With minimum receipts			35 percent
dried,								
incl.	5 - 30 ha	--	--	35	of Kcs 500,000 per enterprise		--	of receipts
seedlings	over 30 ha			40				
Paprika	Loose - Quality I	30,000	--	--	Loose - Quality I	30,000	5,000	--
	II	20,000	--	--	II	20,000	4,000	--
	III	10,000	--	--	III	10,000	1,000	--
	Strung - Quality I	33,000	--	--	Strung - Quality I	33,000	5,000	--
	II	23,000	--	--	II	23,000	4,000	--
	III	13,000	--	--	III	13,000	1,000	--
	Artif. dried				Artif. dried			
	Quality I	37,000	--	--	Quality I	37,000	5,000	--
	II	27,000	--	--	II	27,000	4,000	--
	III	17,000	--	--	III	17,000	1,000	--
	For enterprises with harvested area:			Percent of NP				
	15 - 50 ha	--	--	10		--	--	--
	50.1 - 100 ha	--	--	15		--	--	--
	over 100 ha	--	--	20		--	--	--

VI.

Applies only to socialist agricultural organizations producing vegetables in oil-heated greenhouses.

Current situation - before the end of 1981				Adjustments beginning in 1982			
Quality	NP	Surcharge to NP	Bonus	Quality	NP	Surcharge to NP	Bonus
Marjoram crushed dried - grade I	70,000	--	--	crushed dried-grade I	70,000	15,000	--
II	56,000	--	--	II	56,000	9,000	--
fresh green - grade I	9,000	--	--	fresh green - grade I	9,000	1,000	--
II	6,000	--	--	II	6,000	900	--
			Percent of NP				
Minimum acreage 2-10 ha	--	--	10	--	--	--	--
over 10 ha	--	--	20	--	--	--	--
Caraway seed	22,000	--	--		22,000	3,000	--
			Percent of NP				
With harvested area of 10-40 ha	--	--	16	--	--	--	--
over 40 ha	--	--	20	--	--	--	--
Fennel	22,000	--	--		22,000	8,000	--
			Percent of NP				
With harvested area of 2-10 ha	--	--	30	--	--	--	--
over 10 ha	--	--	40	--	--	--	--
Anise	20,000	--	--		20,000	8,000	--
			Percent of NP				
With harvested area of 1-3 ha	--	--	30	--	--	--	--
over 3 ha	--	--	40	--	--	--	--

[continued]

VI. [continued]

Coriander	16,000	--	--	--	16,000	9,000	--
			Percent of NP				
Harvested area							
2 - 10 ha	--	--	30	--	--	--	--
over 10 ha	--	--	40	--	--	--	--
Greenhouse vegetables							
Greenhouse-grown							
Cucumbers, salad type	Without change	--	--	Greenhouse-grown Cucumbers, salad type	Without change	2,800	--
Peppers		--	--	Peppers		5,800	--
Tomatoes		--	--	Tomatoes		4,500	--
Kohlrabi		--	--	Kohlrabi		6,400	--
Lettuce		--	--	Lettuce		6,000	--

B. Animal Products (in Kcs per unit):

VII.	Unit	Quality	Current situation 1981	Adjustments beginning in 1982
Milk	1 liter	Grade I - summer	2.90	3.40
		winter	3.20	3.70
		Deduction in summer and winter for grade II	0.10	0.20
		III	0.40	0.60
		Choice milk - in summer	3.40	3.90
		winter	3.70	4.20
		Summer and winter bonus or deduction for each 1 percent above or below the basic fat content (3.6 percent)	0.65	0.65
		Surcharge to NP in every category of quality, based on the share of intensively exploited meadows and pastures		
		with share: under 20 percent	0	
		20 - 30 percent	0.20	
		30 - 50 percent	0.70	
		over 50 percent	1.20	
		Specialization surcharge to NP in all quality categories	0.20	0.20
		Introductory surcharge to NP in categories I and II: - first 3 years	0.50	0.50
		- in the 4th and 5th years	0.20	0.20
Cattle	kg net w.	Slaughter calves, fattened - grade A	24.50	25.20
		B	16.00	16.50
		C	9.00	8.00
		Unweaned slaughter calves - grade A	15.00	15.00
		B	12.00	12.00
		C	7.00	8.00
		Slaughter steer - grade A	20.50	24.00
		B	17.00	20.00
		C	13.00	16.00
		Slaughter oxen and heifers - grade A	20.50	24.00
		B	17.00	20.00
		C.	13.00	16.00
		T	18.00	21.00

[continued]

VII. [continued]

Unit	Quality	Current situation	Adjustments in 1982
	Slaughter cows - grade A	16.10	18.00
	B	14.10	15.50
	C	11.10	12.50
	T	15.10	16.50
	Surcharge to NP of young slaughter cows after first calving - grade A	3.50	5.50
head	Bonus for fattening of steers to higher slaughter weight - grade A	500.00	

VIII.	Unit	Quality	Current situation through 1981	Adjustments beginning in 1982
Cattle (continued)	head	Bonus for heifers fattened in the pasture (according to stipulated conditions)	3,000.00	3,000.00
		Bonus for cooperation in procurement of pregnant heifers (according to stipulated conditions)	1,500.00	1,500.00
	kg net w.	Subsidies in interregional procurement of heifers in first pregnancy (according to stipulated conditions)	3.50	5.50
	head	Bonus for calves fattened in large-scale fattening farms (according to stipulated conditions)	250.00	250.00
		Bonus based on increased number of cows - applies in the SSR only		
		- increment under 10 percent	2,500.00	2,500.00
		- increment over 10 percent	3,000.00	3,000.00
products of sheep production	kg net w.	Slaughter lambs from intensive and semi-intensive fattening		
		grade A	20.50	22.50
		B	19.00	21.00
		Slaughter ewes, muttons and rams		
		grade A	11.00	12.50
		B	9.00	10.00
		C	5.50	6.00
		T	8.00	8.50
		Surcharge to NP for wool on hide in all categories of quality	2.50	3.30
		Surcharge to NP for slaughter lambs from intensive and semi-intensive fattening in both categories according to the share of intensively utilized meadows and pastures:		
		share under 30 percent	2.00	--
		over 30 percent	4.00	--
	head	Bonus for the remaining number of sheep-ewes (according to stipulated conditions)	500.00	500.00

[continued]

VIII. [continued]

Percent	Bonus for slaughter lambs from intensive and semi-intensive fattening delivered out of season according to the month of delivery and grade	20-40 percent of NP	20-40 percent of NP
kg	Solid cheese - grade I	25.50	29.00
	II	23.50	26.50
	III	21.00	21.00
	Surcharge to NP of solid cheese according to intensively utilized meadows and pastures: share under 30 percent grade I	4.00	--
	II	3.00	--
	III	0.00	--
	over 30 percent grade I	6.00	--
	II	5.00	--
	III	0.00	--

IX.	Unit	Quality	Current situation -through 1981	Adjustments beginning in 1982
Products of sheep farming	kg	Unscoured wool - grade Ia	146.0	155.00
		Ib	110.00	110.00
		Ic	105.00	105.00
		Id	50.00	50.00
		IIa	130.00	135.00
		IIb	85.00	85.00
		IIIa	110.00	113.00
		IIIb	95.00	95.00
		IV	102.00	110.00
		V	70.00	75.00
		VIa	100.00	105.00
		VIb	95.00	98.00
		VII	50.00	50.00
Hogs	kg net w.	Pigs - under 25 kg	25.00	27.00
		- each kg of weight from 25 to 35 kg	13.00	14.50
		Slaughter hogs - grade I	15.50	17.00
		II	15.50	17.00
		III	12.50	14.00
		IV	8.50	10.00
		V	12.50	14.00
		VI	8.50	10.00
		VII	5.50	7.00
	head	Bonus for increase in the number of pigs (according to stipulated conditions):		
		- meaty breeds and crossbreeds	150.00	0
		- other pigs	80.00	0
Pountry	kg net w.	Slaughter chickens - grade I	14.50	16.50
		II	12.50	14.50
		Slaughter ducks - delivered from 1 October to 30 April		
		grade I	18.00	19.50
		II	15.00	16.50
		delivered from 1 May to 30 September		
		grade I	15.00	16.50
		II	12.00	13.50
		- over 3 years of age	10.50	12.00
		Slaughter turkeys - broiler type		
		grade I	21.00	23.00
		II	15.00	17.00

[continued]

IX. [continued]

Unit		Quality	Current situation	Adjustment in 1982
		Slaughter turkeys - other types		
		grade I	20.00	22.00
		II	15.00	17.00
		Slaughter geese-broiler type		
		grade I	23.00	26.20
		II	19.00	22.20
		others delivered from 1 August		
		to 30 April grade I	23.00	26.20
		II	19.00	22.20
		delivered from 1 May to 30 September		
		grade I	21.00	24.20
		grade II	17.00	20.20
		- Fattened for meat and lard		
		grade I	27.00	30.20
		II	24.00	27.20
		- Over 3 years of age	15.00	18.20

X.

Poultry (continued)	kg net w.	Contribution for specialization added to NP of slaughter turkeys and slaughter geese (for selected enterprises)	2.00	2.00
	head	Goslings - maximum NP	26.00	28.00
Eggs hens for consumption	kg	Grade I	14.00	15.20
		II	9.00	10.20
Fresh-water fish	kg	On average by Kcs 2.00, i.e.,	14.04	16.01
		for example: Carp - grade I	13.68	15.28
		II	11.43	12.58
		III	5.48	5.38
Bee honey	kg		25.00	35.00
Venison	kg	On average by Kcs 3.90		

C. Cattle for breeding, raising and fattening (in Kcs per unit)

XI.	Unit	Current situation - through 1981				Adjustments beginning in 1982			
Breeding bulls selected for insemination	head	Top procurement price for young bulls procured for SPP stations			6,000.00	Basic procurement price for young bulls procured for SPP stations			8,000.00
	kg net w.	Contracted procurement price is raised per each kg net w over 70 kg			24.50	Basic procurement price is raised per each kg net w. over 70 kg			28.00
	head	Bonus for bulls selected for insemination			12,000.00	Bonus for bulls selected for insemination			25,000.00
Breeding bulls selected for natural breeding	head	Top procurement price:	Utility grade ER	R	I	Top procurement price:	Utility grade ER	R	I
		for insemination	40,000	30,000	--	for insemination	50,000	35,000	--
		for natural breeding	30,000	24,000	18,000	for natural breeding	40,000	30,000	20,000
Calves and heifers less than 3 months pregnant	kg net w.	Basic procurement price	Quality grade A	B	C	Basic procurement price	Quality grade A	B	C
		calf under 20 days	27.00	23.50	18.00	calves under 3 months	28.00	26.00	21.00
		calves from 21 days to 3 months	24.50	21.00	16.50	heifers from 3 months until confirmation of pregnancy	27.50	25.00	20.00
		heifers from 3 to 9 months	23.50	20.50	16.00				
		heifers from 9 months until confirmation of pregnancy	22.50	20.50	17.00				

Notes:

1. Basic procurement prices for grade C same as top prices
2. Basic procurement prices are raised for: Young bulls for fattening, quality grade A and B in specialized fatty breeds or those more than 75 percent of the Czech piebald,

[continued]

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Slovak piebold or Pinzgau breed by no more than Kcs 2 per kg net w.; if sire has been tested by breed control or for higher meat utility, by no more than Kcs 3 per kg net w.

- Young bulls for fattening, quality grade A and B of other breeds, sired by specialized fatty breeds; or sired by improved meat-efficient Czech or Slovak piebald and Pinzgau breed, by no more than Kcs 2 per kg net weight.

XII.	Unit	Current situation - through 1981					Adjustments beginning in 1982				
		Utility category					Utility category				
Calves and heifers under 3 months of pregnancy (cont.)		Surcharge to basic NP for dam's value*	ERK	ER	E	I	II	Surcharge to basic NP for dam's value*	ERK	ER	E	I
	head	calves under 3 months:										
		to breed	1,500	1,000	600	300	100		1,500	1,000	600	300
		to raise	--	600	400	200	100		--	600	400	200
		heifers over 3 months to confirmation of pregnancy:										
		breeding	2,500	1,500	900	500	150		2,500	1,500	900	500
		to raise	--	750	450	250	150		--	900	500	250
		* Surcharges apply only to grades A and B and are firmly stipulated for each category of utility.						* Surcharges apply only to grades A and B and for each category of utility are stipulated as the ceiling.				

Heifers over 3 months of pregnancy	head	Utility category			Utility category		
		Basic procurement price in pregnancy:	A	B	C	A	B	C
		3 - 4 months	11,400	9,900	8,400	13,000	12,000	10,000
		5 - 6 months	12,400	10,700	8,400	14,000	13,000	11,000
		7 - 8 months	13,400	11,000	8,400			
						Note: Basic NP in category C are the highest		

[continued]

XII. [continued]

Surcharge to basic NP in categories A and B:*	Utility category ERK	ER	E	I	II
heifers for breeding	5,000	3,500	2,000	1,000	300
raising	--	2,000	1,300	800	300

* Surcharges for heifers for breeding and raising are firmly stipulated for each category of utility.

Surcharge to basic NP in categories A and B: *	Utility category ERK	ER	E	I
heifers for breeding	7,000	6,000	3,000	1,000
raising	--	3,000	1,500	500

* Surcharges for heifers for breeding and raising are stipulated as the ceiling for each category of utility.

Cows head

Basic procurement price for grade	pregnancy over 3 months	pregnancy unconfirmed
A - after 1 lactation	12,500	11,500
after 2nd and 3rd lactation	11,500	10,500
after 4th and following lactations	10,000	9,000
B - after 1st lactation	11,500	10,500
after 2nd and 3rd lactation	10,500	9,500
after 4th and following lactations	9,000	8,000

Basic procurement price for grade	pregnancy over 3 months	pregnancy unconfirmed
A - after 1st through 3rd lactation	15,000	14,000
after 4th and following lactations	13,000	12,000
B - after 1st through 3rd lactation	13,500	12,500
after 4th and following lactations	12,000	11,000

Note: Utility category ERK refers to utility category ER with registration in state records of breeding.

XIII.	Unit	Current situation - through 1981					Adjustments beginning in 1982				
			Utility category					Utility category			
Cows (cont.)	head	Surcharge to basic procurement price for * cows for breeding	ERK 30,000	ER 10,000	E 6,000	I 2,000	II 800	Surcharge to basic procurement price for * cows for breeding	ERK 40,000	ER 15,000	E 10,000	I 5,000
		raising	--	8,000	5,000	1,800	800		--	10,000	5,000	2,000

* Surcharges for cows for breeding and raising are firmly stipulated for each utility category.

* Surcharges for cows for breeding and raising are the ceiling in each utility category.

Cattle for fattening	kg net w.	Basic procurement price	Utility category A	B	C	Basic procurement price	Utility category A	B	C
		calves under 20 days old	27.00	23.50	18.00	cattle over 3 months old	27.50	25.00	20.00
		calves 21 days to 3 months old	24.50	21.00	16.50				
		cattle over 3 months	22.50	20.50	17.00				

Notes:

1. Basic procurement prices in category C are the ceiling.
2. Basic procurement prices are raised as follows:
   - in young bulls for fattening, grades A and B of breeds specially raised for mear or with more than 75 percent ancestry of Czech piebald, Slovak piebald or Pinzgau breeds, by no more than Kcs 2 per kg net w., and if the sire has been tested by genetic control for improvement of the utility value of meat, by no more than Kcs 3 per kg net w.

   - in young bulls for fattening, grades A and B, of other breeds which are raised on paternal side especially for meat or whose sire improves the utility value of meat of Czech and Slovak piebald or Pinzgau breeds, by no more than Kcs 2 for kg net w.

XIV.	Current situation - through 1981	Adjustments beginning in 1982
General rules	Deliveries of pregnant heifers returned to their original owners according to contract are subject to prices agreed to in the contract; such prices adopted for individual categories of quality must not exceed the basic procurement price. In deliveries of calves for breeding and raising and of heifers raised from such calves and delivered to their original owners in accordance with contract, there will be no surcharge to basic procurement price paid for their breeding value.	If, on the basis of contract, agricultural enterprises supply heifers for breeding and raising and cattle for further fattening to other agricultural enterprises which return the cattle after completion of the fattening period to their original owners, prices agreed to in the contract will apply. Such prices must not exceed the stipulated basic procurement prices; surcharges for breeding and raising values do not apply here. - Surcharges for breeding value may be applied only on the basis of evaluation made by breeders' organization.

OFFICIALS DISCUSS EXPORT OF AGRICULTURAL PRODUCTION SYSTEMS

Budapest FIGYELO in Hungarian 2 Dec 81 p 4

[Article: "The Export of Production Systems"]

[Text] A roundtable discussion about the export of production systems and its possible development was organized by the editors of FIGYELO. The participants were Janos Balassa, department chief in the Foreign Trade Ministry; Kalman Kazarecki, managing director of Agrober; Ferenc Kozma, assistant under secretary of the International Relations Secretariat of the Council of Ministers; Gyorgy Szabo, department chief in the Ministry of Industry; Istvan Varga, deputy department chief in the Komplex; Ferenc Vamos, general manager of the Baja Agricultural Combine; and Peter Bonyhidi and Istvan Garamvolgyi from our editorial staff.

Agricultural products, food industry materials, livestock and foodstuffs have an important role in Hungary's foreign trade relations, primarily as exports. They equal 22 to 23 percent of total exports, and about the same of exports sold for rubles and free foreign currencies. Naturally, agricultural and food industry exports can still be increased.

From the standpoint of demand--numerous regions of the world must import large volumes of foodstuffs and will in the future--apparently only the potential of domestic production development limits the expanded export of agricultural products. In reality, however, the world market for agricultural products has numerous restrictions. Within CEMA markets, for example, our partners can supply merchandise needed by the Hungarian national economy only within certain limits. In Western Europe, the limiting factor is the growing agricultural protectionism. In the Near and Mideastern markets, which have ample demand and purchasing power, we must compete with countries whose production technologies are higher or manpower is cheaper than ours. Naturally, other continents have solvent markets, but these are beyond our shipping radius.

A Promising Market--the Third World

While we are striving to increase profitable exports agricultural production and foreign market sales, the increased exploitation of export potential of a different nature, although derived from the development of Hungarian agriculture is well

founded and in fact necessary. During the past decades, Hungarian agriculture achieved internationally recognized results in combining production factors and in utilizing and developing crop- and animal-producing systems.

The potential outlet for production system exports is the Third World, with nearly every country struggling with food shortages. For various reasons they all are trying to develop their own food production--often even when their natural resources are unfavorable to economical production--in the interest of diversifying a single-culture economy in order to reduce dependency on food imports. The potential market for exporting systems varies with needs and potential, but pivotal markets, promising the greatest results because of the development of interstate relations, solvency, etc., can be selected.

The export of systems is not a new activity. Numerous Hungarian enterprises--Komplex and Agrober, among others--have recently exported complete food industry projects such as mills, bakeries, date processors, canning factories, freezing plants, butcheries and chicken-processing plants. The participants in our roundtable discussion sought rather to solve the problem of expansion and discussed how the exports of food production systems can be expanded and integrated.

Complex Intellectual Product

To borrow terminology from computer technology, production systems also have software and hardware. The former is the complex intellectual product, ranging from biology to the organization embodied in the system, while the latter is the mechanical technology supplied by the agricultural and food industry machinery manufacturing industry. There is unanimous agreement that the software of Hungarian production systems is competitive. Fortunately, several systems are interchangable--four corn production, several cattle- and three rabbit-raising systems--and systems can be adapted to various plant sizes. (For example, during the last 3 years, of the 230 proposals prepared by Agrober for potential customers, 100 proposals were for 5- to 50-hectare plants.)

The systems exports to date indicate that Hungarian specialists are outstanding in combining production factors and in their systems approach; with difficulty they are even managing to offset the shortcomings of the hardware, the technology. In Mexico, for example, where American technology freely pours in, Hungarian experts, with the Baja corn production system, achieved an average production of 4.2 tons of corn per hectare, in an area where not even 2 tons were produced previously.

The competitiveness of the software, however, must be constantly safeguarded and in fact increased. Partially because the technology of the production systems does not enjoy legal protection, the experts of the purchasing country sooner or later will master the appropriate usage of the systems and will domesticate and spread them. Thus in order to maintain and increase competitiveness, some new elements--better machinery, new chemicals and strains--that at the same time increase the efficiency and yield of production must always be developed. On the other hand, the technology and biological materials utilized in Hungarian production systems--primarily because of different ecological conditions--are automatically unsuitable for production by many customers. In this respect, there is a constant need for adaptation and development. A good example is the Baja Agricultural Combine, which

participates in systems exports actively. The combine created a 50-member department for the planning, development, domestic testing and preparation for adaptation to the combine's requirements of the techniques, technology and biological materials of production systems.

Machine Technology Supplemented by Imports

The indisputably weak link of competitiveness is the hardware provided by the domestic industry. For example, the systems exporters can offer and supply machinery, the Raba, to only corn production systems; even the gathering machinery for this, with the exception of the adapter, must be imported. The industrial background of animal-raising systems rests decisively on the systems managers. Industrial capacity for this purpose is available at only two enterprises. The situation in the food industry machinery manufacturing is also unsatisfactory. This industrial branch eliminated much of its manufacturing line during recent decades. The industrial background, far behind requirements, has a detrimental effect on systems export. In software, there is a definite opportunity for selection. In some cases, it is also possible to have competition among systems managers. As far as the hardware is concerned though, the general monopolistic status of suppliers and subcontractors affects their pricing and readiness to ship.

During the last 3 years, promising changes have occurred in the agricultural machinery manufacturing industry. Several billion forints have been invested in development. Product development, however, has still not adapted sufficiently to the requirements of production systems. According to the plan of the Industrial Affairs Ministry, systems developers must be designated for the machinery systems that can be manufactured domestically. These systems developers are to survey the machinery requirements of individual production systems and to formulate and develop machinery systems with these in mind. The ministry plans to provide 700 million forints of a technical development subsidy for the program that qualifies for creating the machinery systems necessary from grain production to baked goods, from fodder production to meat products, and from vegetable production to canning. The 700-million MUFA [expansion unknown] subsidy is insufficient for developing the multiplicity of machinery necessary for the program. For this reason, only basic machinery was included in the technical development funds of the agricultural and food industry manufacturing enterprises themselves. There are moderate possibilities for manufacturing development, since 3 to 3.5 billion forints should be available for this purpose.

Thus, the present and near future may be characterized by a support industry unable to provide complete machinery systems, because, among other things, within the international division of labor developed over recent decades, other socialist countries have taken over the manufacturing line, and they cannot even meet the requirements of the Hungarian agricultural and food industry without difficulties or ensure a normal supply of spare parts. Under such circumstances, the need does not change for imported machinery available for convertible foreign currency for our exports of production systems and complete food industry projects. The technical and trade possibilities for this are in a certain sense favorable, because the international agricultural and food industry machinery firms are volunterring as partners in Third World ventures. However, the augmentation of equipment and machinery series through nonruble imports can occasionally cause difficulties in export financing.

Competitiveness in Credit Also

Financing and credit conditions, in addition to knowledge, agrotechnology and the technical level of machinery system, are fundamental parameters of the international competitiveness of production systems and generally of expensive, complete equipment. The production system is the kind of export merchandise with many valuable components, such as on-location work by specialists, knowledge of the production systems and its adaptation, the machinery system, general contracting activities, the training of specialists, on-location oversight, the starting up and management of the production systems, various services, etc,. Also affecting the role of competitiveness in financing and credit is the fact that purchasers of certain countries, in the interest of their own security, provide advantages to suppliers who provide a share of the capital.

Since nearly every system export, even the export of agricultural production systems, increases the total merchandise export, it makes profitable situations that are not marketable without software. According to the experiences of export enterprises that market systems and complete equipment, 60 to 90 percent of the equipment for slaughterhouses, mills, canning factories, egg-laying and broiler-processing plants are not marketable as equipment alone. The equipment for freshwater fish hatchery systems can be exported only within the framework of the system.

Working Hand in Hand

Recently, the organization and product line of systems export and more specifically of agricultural production systems--the chief contractors and foreign trade specializing enterprises--have generally developed. The systems-oriented--figuratively speaking--cooperation of systems exporters could strengthen and increase the national economy's export performance in this area. It would be difficult to determine just where and with what the export of production systems and the market work preparing the ground for its export, begins. However, certainly the Hungarian agricultural specialists working for this in potential markets must be performing useful work. For this reason, Agrober, the chief contractor for the export of production systems, has made a cooperative agreement with Tesco. Already more business has resulted from Agrober involving itself with Tesco activities and developing plan documentations for Tesco. Possibilities for production systems exports have thus resulted.

For foreign trade marketing of agricultural production systems, the agricultural line--the training of specialists from skilled worker to agricultural engineering, and the dispatch of specialists--should be pursued more vigorously in terms of potential markets or countries, within the framework of technical-scientific cooperation and assistance.

Better systems-oriented cooperation is motivated by the fact that the requirements and needs are not based on the Hungarian economy or the branch or enterprise structure of foreign trade. Sometimes the creation of a crop or livestock farm is requested; sometimes the needs of the purchaser extend from the production of raw materials to the consumer packaging of the processed merchandise. In such cases, good cooperation among systems managers, exporters and primary contractors is significant. (For example, exporting a livestock system will probably involve the ensuring of the fodder basis, perhaps requiring water collection and irrigation investments; a slaughterhouse and meat-processing plants may be associated with the livestock plant.) It

is extremely important that Hungarian production systems, food-processing plants, chief export contractors and specialized export enterprises work hand in hand on the foreign market. The foreign trade association agreement for the export of slaughter-houses among Komplex, Agrober and the Monor Agricultural Machinery Factory, for example, serve to institutionalize this cooperation.

The degree to which agricultural plants producing products like livestock, crops, vegetables, fruit, seed grain, etc., perceive foreign trade effects and requirements, is debatable. However, it is undeniable that managers of production systems--because of exports--have stepped into the foreign markets--even directly--because significant numbers of their specialists are working on location for extended periods. The chief export contractors of production systems also belong to the "new generation" in foreign trade. Their experiences with the apparently second and third order of problems and details of foreign trade work are instructive.

Let us begin with the knowledge of languages. The repeated experiences of the systems management specialists working in foreign markets illustrate that the knowledge of one of the universal languages is an indispensable condition for success. However, in marketing production systems, one must speak not any universal language: in the Mid- and Near East it should be a Arabic language; in Latin American countries, one must know Spanish. The directors of the Baja Agricultural Combine drew the most far-reaching conclusion from this experience. They created a language laboratory at their own expense so that their specialists could learn the relevant foreign languages.

According to those who have "recently arrived," not the length of stay abroad but the work should be compensated. Happily, such measures have come into existence, and new ones are in preparation. Such measures include the premium paid in local currency and the modification of certain customs regulations, both incentives to good effort and performance. Only experience will determine whether these changes are sufficient to achieve the desired goals or whether further "innovations" are necessary.

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STATUS, FUTURE OF AGRICULTURAL COOPERATIVES HIGHLIGHTED

Budapest FIGYELO in Hungarian 9 Dec 81 pp 1, 13

[Article by Mihaly Lehoczki: "Two Hundred Billion Forints Annually"]

[Text] Among Hungary's natural resources, the most important is arable land, on 82 percent of which agricultural cooperatives are farming. Three quarters of those employed in agriculture are working here. Today, the average area of an agricultural cooperative exceeds 4,200 hectares, while the value of the production equipment on a collective farm is 190 million forints. The 1,415 agricultural cooperatives farming on nearly 6 million hectares (agricultural cooperatives, specialty cooperatives, fishing cooperatives) and the nearly 700,000 household farms together produce about 200 billion forints worth of production value.

Seventy Percent of the Branch Production Value

Cooperative farms produce about 70 percent of the branch production value. This tremendous development could not have taken place without the influx of industrial products and industrial materials into agriculture. The largest and most important branches of field plant growing have essentially been complexly mechanized.

The increase in the utilization of chemical products, primarily in the usage of fertilizers has been spectacular. However, in recent years there has been a stagnation and even a slight retrogression in the use of fertilizers.

The industrial, construction industry and service activities of agricultural production cooperatives have been increased to 2.3 times the 1975 totals--in current prices. In 1980, their total was 49 billion forints, which is 29 percent of total production. Trade has also become an integral part of cooperative activities. The 1975 trade increased 2.6 times by 1980, to more than 32 billion forints. The majority of trade originates from deliveries of the household and supplementary farms.

The economic and social importance of agricultural cooperatives is thus significant. The socialist characteristics of the cooperative have become more pronounced, and common property has increased. The rapid development of productive forces, the industrialization of agricultural production and the changes which have taken place in the character of the work and distribution are continuing to bring the peasantry closer to the working class. The number of those employed permanently has stabilized

in recent years, and in fact has increased slightly in the last 2 to 3 years. This may be attributed primarily to the increase in the number of those employed in supplementary activities.

The improvement of living and working conditions for cooperative members is essentially determined by the wages for the work performed in common. The members supplement this base--with significant amounts of extra work--with income derived from household farming. The incomes earned from cooperative common farming has steadily increased during the past period. The average monthly income of its members increased to more than 3,700 forints in 1980, which is 25 percent higher than it was in 1975. Overall, the growth rate is identical to that of industrial employees, but the level of average wages is lower.

Rights and Responsibilities

The personal income in cooperatives with unfavorable resources, however, is only 85 percent of the national cooperative average.

The differentiation is considerable, and is, to a large extent, a result of wages according to performance. In areas of work in which performance is measurable, nearly 70 percent of cooperative workers are paid according to performance. This proportion ought to be further increased.

Within average incomes, wages are increasingly becoming the predominant part, even though the incentive systems, in order to strengthen the enterprising spirit and the willingness to accept risks would require that the proportion of end of the year shares which depends on results be increased. Thus initiatives which would be incentives to improving profits--in concert with the interests of the national economy--must be sought and supported.

On the basis of policy decisions and government measures, with the concurrent efforts of the cooperatives, living and working conditions have improved. The professional expertise and cultural levels of the membership have improved. The social esteem of work performed within the framework of memberships has significantly increased. Property and worker rights and responsibilities have developed with mutual effects on each other. The transformation of the face of the village is striking. We have made progress in the elimination of the distinctions between village and city, and between industrial and agricultural employment. It is of historical significance that the retirement age of cooperative members has become identical with that of state employees.

Twenty Thousand Graduates

A result of the social and economic prestige of agriculture and of the cooperatives is that the average age is decreasing, the membership is younger. The average age of active members is not quite 40. The number of those under the age of 30 exceeds 180,000.

There is also a significant improvement in the composition of the membership according to schooling and specialty training. The number of those with university education is nearly 20,000, while those with secondary education exceeds 180,000.

Nearly 280,000 semi skilled workers are employed in the cooperatives. The value of the collective assets per worker was 428,000 forints in 1980.

The socialist reorganization of agriculture has become an awareness shaping factor in the life of the Hungarian peasantry, which can be measured on the historical scale. The peasantry of the cooperatives is identifying itself with the cooperative movement fully.

During the debates about the characteristics of the cooperatives, it was demonstrated--mostly through the vitality of the cooperatives--that the group ownership of the cooperatives is not some kind of an undeveloped form of socialist property, as some were asserting. On the basis of operational results, it is clearly apparent that the cooperative property form ensures a good, flexible area of operation for the unified development of production forces and production relations.

Has Stood the Test

During the last 20 years, production has increased unfailingly in the cooperative sector of agriculture. Production and the necessary production bases were expanded in accordance with the goals set up by national economy plans and the recognized possibilities. The central sources played a determining role in this process in the beginning, but their roles gradually have decreased since. In this respect, the beginning of a new era was indicated first by the introduction of fixed assets amortization, then by the radical reduction and the partial elemination of subsidies.

In our cooperatives, the freedom to make decisions has increased significantly along with the development of large scale farm growing, the creation of professional conditions and the development of the self realization needs for the creative man. The readiness and capacity to take risks and morover, the responsibility for decisions felt by the leadership has also developed and increased concomitantly.

During the last 2 decades, a capable leadership cadre has matured in the large agricultural plants. In this development--among other things--a selection on the basis of success and a relatively greater leadership mobility had important roles.

The development of the decision and responsibility spheres in the cooperatives as well as the increase in their self-financing capabilities have resulted in the creation of the conditions for the generation and renewal of production funds. The cooperative enterprise model has stood the test in this respect also.

In providing agriculture with production resources, however, the reciprocity and the unity of interest based on mutual interdependence still leaves much to be desired, despite the development. The solution is a pressing task in the technical, technological, valuation and organizational senses.

While during the last 5 years the rate of development declined--which is partially due to the cooperatives beginning from a considerably higher basis--the qualitative characteristics of agriculture have become more vigorous. Technical renewal and adaptation to new conditions continued unchanged.

Along with Profitability

Overall, the cooperatives have stood their ground even under the more difficult world economic conditions. With a view to the future, the representatives of the congress are especially concerned that, for example, the sensible utilization of the agricultural land be a condition of further progress. The fact that reduction of land area can be slowed but not stopped places a great responsibility on state direction and enterprise leadership.

Sensible land utilization alone is not sufficient for developed agricultural activities, and especially for profitable operation. There is especially great significance to the reduction of specific fuel and energy expenses. Quantitative production increase is imaginable only together with improvements in quality and especially of profitability.

Agricultural cooperatives must contribute to the creation of a balance in the national economy to a greater extent than before. Thus, the available resources must be exploited more efficiently. The basis for our future development is the increase in the production of grains and in the maintenance and elevation of production level for industrial plants. These plants are most likely to contribute to the expansion of exports, and naturally, these are also forming the basis for domestic supply.

Open Organization

Cooperatives must continue to operate as open organizations. As a characteristically Hungarian alternative, however, the production cooperatives, in addition to taking care of the basic agricultural tasks, are capable of a multiplicity of tasks through their own manpower bases, but are also capable of integrating other manpower into their economic organizations.

This openness is exceptionally important because the influx of industrial work increases the support capacities of villages, and because those employed in the cooperatives willingly undertake household farming tasks, especially animal raising and labor intensive plant growing tasks as supplementary activities.

It is characteristic of the cooperative movement that not only the successes of certain cooperatives, but also the failures have turned out to be common matters which effect everyone. Thus, the cooperation and mutual assistance among cooperatives will continue to be exeeptionally important in the future.

The new regulations are opening or broadening the opportunities for cooperation. The ability to live with this is the responsibility of the workers of the cooperative movement and directly serves the interests of every member of society.

The more importart production data of cooperative farms

	1960	1979	1980
Wheat	1,171	2,183	5,193
Corn	1,943	2,983	5,171
Hogs	379*	451	670
Chickens	66	209	344
Beef	185*	270	263
Milk (million liters)	1,091	1,399	1,796

* data from 1961
Source: Agricultural Data Bank, KSH

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CHANGES IN WAGE SYSTEM FOR 1982 EXPLAINED

Budapest NEPSZABADSAG in Hungarian 18 Nov 81 p 10

[Article by Dr Laszlo Pongracz, head of Main Department, State Wage and Labor Office: "Change in Wage Regulations"]

[Text] When there is a change in economic conditions, the economic regulators must also be changed. Their task is precisely to induce the enterprises to behave according to the requirements that stem from our econopolitical goals. Changes in the regulators are required also whenever there are unfavorable developments in certain processes. In such cases we must use these regulators to suppress all undesirable phenomena and to introduce in their place processes that reflect our national economic goals.

In 1981, the growth of our national income is expected to be lower than planned, while at the same time domestic consumption will be greater than forecast in the national economic plan. Consequently, the internal balance of our economy will not improve as much as planned. One of the reasons why domestic consumption has exceeded the predicted levels is the fact that the outflow of wages has been greater than estimated in the plan. In manufacturing and in the construction industry, the decline in work force levels has been greater than anticipated--which has also affected the lower-than-planned production levels--while the wage-bill control system has allowed taking the wages released due to these work force reductions and, in part, using them to raise the wage level. Consequently, these greater-than-planned work force reductions have allowed the increase in average wages to exceed considerably the anticipated levels.

In view of these developments, we have had to take certain steps to offset the outflow of surplus purchasing power that accumulated in this manner and to prevent the continuation and recurrence of this tendency in 1982. In addition, there will be some changes to help moderate basic interests and alter management interests. If we did not do this, the outflow of surplus wages would lead to a further aggrevation of tensions from economic imbalance.

Surplus Purchasing Power

Thus, it has become unavoidable to tighten the standards of the wage regulatory system introduced in 1980. In the so-called central wage-regulating forms, the centrally authorized wage increases will be reduced by 0.5 to 1 percent; in the

case of combined forms, the centrally determined part will be 0 to 0.5 percent lower than before, and in the wage-bill and wage-level regulating forms tied to performance, the wage multiplier will be changed from 0.3 to 0.2. The bottom line is that starting next year, a 1 percent increase in wages will require generally greater improvements of performance than before. The tightening of standards, therefore, expresses an increase in requirements.

The experiences over the nearly 2-year period since the changing of the wage regulations have called our attention to a rumber of problems. According to the regulators, all wage-level increases over 9 percent have been subject to taxation from the profit-sharing fund, even if on the basis of its improved performance or a decline in its work force a given enterprise would otherwise be authorized to receive wage increases over 9 percent. Infrequently enterprises, despite their dynamically increasing output, have been unable--due to insufficient profit-sharing funds--to pay the 9 percent required levy or to raise their wage level by more than 9 percent (if, for example, due to prior commitments they were unable to set up a profit-sharing fund in addition to their development fund). I order to help stimulate rapid improvements in performance, starting in 1982 only those wage increases over 12 percent will be subject to taxation. This measure allows rates of wage increases to be differentiated over a very broad scale, since above the average wage increase of about 4.5 percent estimated in the plan, wage-level increases not subject to levy requirements may go as high as almost three times that amount, or to 12 percent. More than likely, however, many enterprises within a given year would be able to achieve the kind of increase in the value of their indicator of wage increments (even together with a possibly simultaneous work force reduction) that would entitle them to increments higher than 12 percent.

Declining Basic Interests

Another measure favors enterprises that are fairly profitable but, for this very reason are less capable of making dynamic improvements compared to their own past performance. These enterprises already enjoy an advantage in that they are entitled to establish a tax-free profit-sharing fund up to 4 percent of the wage bill. In case of higher profits, they are able, even with the tax, to set up larger profit-sharing funds than those with smaller revenues. In spite of this, since some of these enterprises are not, or only to a limited extent, able to raise their indicator of wage increments, they are entitled to less wage increases than, let us say, an enterprise that is significantly less profitiable but has been able to improve its performance dynamically. From the point of view of our national economy, it is better to have a highly profitable enterprise, even though it has not improved its performance, than one whose asset-wage ratio profits have fallen behind the national economic average despite its dynamically improving results.

A new regulation aims to enhance the wage-increase possibilities of enterprises whose production is more efficient than the average; highly profitable enterprises unable to improve their wage levels or their indicator of wage increments, will be allowed to increase their wages without a levy imposed on them based on the size of their authorized tax-free profit-sharing funds. (For example, asset-wage ratio profits over 16 percent will entitle enterprises to a 4 percent wage increase.) If, however, they exceed their authorized tax-free levels, their exemption from payment will be discontinued for the full increment.

This measure also helps to reduce problems stemming from the basic principle of the income-regulatory system, for in this area the possibilities of wage development are determined not by the extent of the advances [a given enterprise] has made compared to its earlier level of profitability but by the degree of its profitability.

Other factors playing an important role in improving the efficiency of economic activities include the enterprises' top managers, director generals, directors and their deputies. Today's economic requirements demand that they take more initiatives and assume greater risks. In this respect the rule that [enterprises] producing at a loss could only receive 75 percent of their basic wage, has been damaging. This rule--which has hardly ever been enforced--will be dropped. Hereafter, we must use different methods, such as dismissals, to punish inadequate work in those cases where the failure of production is due to the negligence of the leaders. These leaders' earnings will depend more closely than before on the performance of the economic units under their direction. For this reason we have changed the wage multiplier that determines the size of these leaders' bonuses, thus creating a broader spectrum over which their earnings can be differentiated.

Overall, the announced measures intend to do two things in order to help fulfill the tasks stemming from the Sixth Five-Year Plan: tighten the requirements and improve the incentives aimed at furthering the goals of the national economy.

Enterprise Opinions

A number of these changes are also in harmony with the demands voiced by some of our enterprises upon assessing our income regulations. There will be no change in 1982 in the rule that not more than 3 percent of the wages saved due to a decline in the work force can be used to raise the wage level. Therefore, we will not be able to comply with the request that the wage savings resulting from work force reductions be used to raise the wage level without any restrictions. It would not be right to allow an enterprise to "make a living" just from work force reductions: that is, to allow it to use this as a sufficient source of wage increase. Work force reductions continue to enjoy an advantage, for in cases of constant work force levels a 10 percent increase would be needed in the indicator of wage increments in allowing the economic unit a 3 percent wage-level increase. Our goal, however, is not to reduce the work force but to improve our efficiency.

As everyone knows, savings realized from material costs are also not free to be used for wage-increase purposes. Part of the excess profits from these types of savings is used to increase budget revenues, another portion is committed to stockpiling and development purposes, a certain percentage is placed in reserve, and only a segment is used to increase personal income in the form of profit sharing. This also supports our view that wage savings resulting from work force reductions should not be used completely for wage increases, even within the 3 percent limit. Still, many would consider it natural to be allowed to take the wage savings from work force reductions and use them freely to increase wages. If we allowed this, those enterprises would be rewarded the most that in the past had been the most negligent in their manpower management policies and thus accumulated large internal reserves. This would make it possible for them to have greater wage increases than those enterprises that earlier had corrected their manpower management and therefore have no significant reserves.

It is incorrect to think that the only way a rational economic measure can be successfully implemented is if it is coupled with considerable economic advantages (for example, if it can lead to significant wage increases). It would be very strange if savings-minded material and energy management were made dependent on the condition that its benefits would not be shared with the budget. Obviously, if this were the case, it would be impossible to generate adequate resources to cover the common expenses of society.

In view of all these considerations, although we must continue our efforts to redistribute our work force from the less efficient activities to more efficient units, it would be incorrect to try to achieve this by increasing the incentives connected with live-labor savings, for this, sooner or later, would lead our enterprises to consider it to be in their interest to waste embodied labor.

The revisions implemented in our wage regulations reflect the changes of our economic conditions and are expected to contribute to building the kind of enterprise attitude that will help to improve the performance of our national economy.

9379
CSO: 2500/59

CURRENT RESULTS OF ECONOMIC PLAN FULFILLMENT REPORTED

Warsaw TRYBUNA LUDU in Polish 15 Dec 81 p 5

[Article by T.J.: "The Nation's Economic Situation in November 1981"]

[Text] The Central Office of Statistics [GUS] has provided comprehensive information about the economic results for November and the preceding 11 months. We are publishing comprehensive excerpts from it.

This November, despite some slowing in the decline of industrial production, the nation's economic situation remained very difficult.

In industry, the value of goods sold was approximately 27 billion zlotys, or 9.4 percent less than last November. Production declined less this November than in October, and totaled 41 billion zlotys or 14.1 percent [less]. Compared with the low production level in October, there was an increase this November in the production of certain manufactured items of importance for supplying production and the market. Overall, compared with October, industrial products sold increased in November by over 10 billion zlotys, or 4.2 percent.

Extraction of mineral coal in November totaled 13.9 million tons and was 2.3 percent higher than last November, but 18.3 percent lower than in November of 1979. Average daily extraction of mineral coal (not including coal mined on free Saturdays) increased in November by 1.2 percent compared to October, showing a growth tendency over the last 3 months. Coal excavation on free Saturdays reached 1.1 million tons and increased 63.3 percent compared with last October.

The combined extraction of mineral coal in the period January-November of this year totaled 149.8 million tons and was 16.7 percent less than in the same period last year.

Production of electrical energy for this November was 6 percent lower than last November and reached 101.76 billion kWh.

Agriculture

The purchase of agricultural products continues on a low level. Livestock purchases this November increased 11.3 percent compared with October. Since

the beginning of this year, compared with the same period last year, there was a 24 percent decline in the purchase of livestock, an 8.2 percent decline in the purchase of milk, and a 1.0 percent decline in the purchase of eggs. Through November, purchases of grain from the 1981 harvest were 27 percent lower than last year. Purchases of sugar beets and potatoes were improved.

The supplying of agriculture with basic means of production, particularly coal, feed, machines and tools, spare parts, tires and construction materials continues to be poor. Only the sale of artificial fertilizers in the period July-November 1981 increased 13 percent over last year (1,030,700 tons of NPK).

Contracts for slaughter animals continue to be low. Contracts for the period December-February were 44.9 percent lower for hogs and 30.6 percent lower for cattle than a year ago.

In dwelling construction for the last 11 months, 142,600 apartments with a total usable area of 8.8 million square meters were made available for occupancy. The adjusted reduced NPSG [National Socioeconomic Plan] goals for usable living space were realized at 62 percent of objective at the end of November.

On the domestic market, the crisis situation is deepening as a result of a decline in the production of a significant number of industrial products and the reduction of purchases of agricultural products, concurrent with an increase in the population's income.

Market supplies of items containing animal protein were on a significantly lower level this November than last. Deliveries of meat and meat products (including poultry) were 25.2 percent lower; fish and fish products were 36.0 percent lower; eggs were 3.8 percent lower and creams were 24.7 percent lower. The only deliveries which were higher were milk (11.7 percent) and cottage cheese (31.0 percent).

There was a decline in the market supplies of edible fats. Compared with this October, November deliveries of animal fats were 6.3 percent lower, butter was 16.2 percent lower and margarine was 1.4 percent lower. Only oil deliveries were 2.8 percent higher. However, this did not make a perceptible difference in view of the shortages of other fats. In the cereal-flour product group, there was a 2.4 percent increase in the deliveries of wheat flour and a 5.8 percent increase in flaked corn. On the other hand, barley deliveries were down 6.5 percent. Market supplies of potatoes were inadequate. Deliveries to market of many light industrial, chemical and cosmetic products were on a much lower level in November and in the past 11 months than for the same periods last year.

Foreign trade turnover this November compared to last November with respect to exports declined 8.3 percent. (Exports to the I payments area were at last year's level and to the II payments area were 17.3 percent lower.) Imports grew 8.6 percent with an increase of 29.9 percent from the I payments area and a decrease of 19.1 percent from the II payments area. For the 11 months of the current year, as compared with the same period last year, exports fell 14.4 percent (9.9 percent to the I payments area and 20.7 percent to the II payments

area), while imports fell 8.8 percent (an increase of 4.7 percent from the I payments area and a decrease of 24.3 percent from the II payments area).

Imports of certain goods increased significantly compared with the same 11-month period last year. For example, grain and feed increased 431,000 tons, potassium fertilizer increased 258,000 tons, meat 93,000 tons, butter 41,000 tons, lard 46,000 tons and sugar 75,000 tons.

For a long time, the monthly GUS bulletins have been essentially consistent in theme: The production of practically all goods is falling and a rapid slide along a downward path is continuing. What is most striking in the November economic picture is the obvious fragmentation of the economy. Every facet is developing (and in many instances this description should be in quotation marks) at its own rhythm with no coordination with other areas. It is difficult to perceive internal connections and economic laws.

Thus, on the one hand, there was a decline in apartment construction while at the same time industrial capital expenditures actually fared worse. The question is whether this is caused by material shortages or by nonimplementation of government decisions made at the beginning of this year concerning the withholding of a variety of capital expenditures for the purpose of containing the problem. Furthermore, on the one hand, there is the paradox of the drop in the production of many goods due to material and technical shortages, and, on the other hand, there is the significant growth of imports. Thanks to favorable weather conditions, as well as to the great efforts of farmers, this year's harvests were not too bad compared to previous years, but where market supplies of food are concerned, things are worse than they were.

The thrust of the activities directed at stabilizing the economy should be not so much at attempts to correct individual parts but rather at directing their development as an integral whole. The theme for structuring the economic policy should be the anticrisis program passed by the Ninth Congress.

9461
CSO: 2600/142

ECONOMIST VIEWS ANTI-INFLATION AS KEY TO ECONOMIC RECOVERY

Warsaw LITERATURA in Polish 26 Nov 81 pp 1, 4

[Article by Bronislaw Minc: "Economic Collapse: The Difficult Way Out"]

[Text] I The rapidly advancing inflation process in combination with decreasing production has led to a disorganization in the marketing of foodstuffs, in industrial goods marketing, as well as to a paralysis in the exchange of commodities between city and village. Inflation in its extreme form is expressed in the population's inability to obtain goods not only in free, but in rationed sales as well.

This is coupled with the worsening of the population's living conditions, which hits the lowest income group especially hard. The future of the country's economy is being weighed down by a substantial reduction in investments and by foreign debts from which rather large interest rates keep growing. These debts are growing at a faster rate than in the past decade.

The crisis goes under several names. It is generally called just that, a crisis. But some call it a catastrophe. And then there are those too, who like myself in this article, call it an economic collapse. Be that as it may, the crisis goes on. Today, 15 months after August, 1980, one may try to make an assessment on whether the measures undertaken were really adequate for getting out of the critical situation, or whether other means should not have been used and should not still continue to be used.

One has tried to treat the sick economy for high inflation with a series of price increases of various articles. The price of flour has been raised considerably, as well as bread and various kinds of bakery goods. The prices for cigarettes have increased significantly. There is no way to count all the products and services whose prices, in one way or another, have been raised.

All of this, however, has not only not cured the sick economy, but has contributed to the worsening of its condition, for it has increased inflation. Inflation, always high, certainly cannot be treated by inflation. In times of so-called galloping inflation, prices of all articles have been rising very sharply; it boils down to prices of goods being counted in the millions and, later, even in the billions. But this does not alleviate inflation; on the contrary, it intensifies it.

With high inflation, price hikes of certain articles stimulate price increases of other articles. This also stimulates wage increases: an inflationary spiral develops. The increase in wage levels, however, lags behind the increase in price levels. Demon inflation, which one had hoped to suppress by price increases, triumphs.

The results of recently instituted price increases in flour, bread and other flour products can illustrate this tendency toward an inflationary spiral. After this price increase, both the prices of rye and wheat increased, and to a considerable degree, in transations among farmers. This, in turn led to an unsettling of the ratio between these prices and government procurement prices of livestock for slaughter. This naturally had a most negative effect on the size of this procurement.

The government raised the price on the procurement of pork slaughter animals from 84 to 110 zlotys, i.e., by 30 percent. This did not stop the collapse of the procurement of livestock for slaughter. Why? Because the increase was only a minimal one. In the period of time between the price increase from 84 to 110 zlotys, the purchasing power of the zloty had dropped to a point which has to be measured, first of all, by the increase in the extent of the inability to purchase scarce goods, as well as by the price increases of foodstuffs, and among them, in particular, such a staple article as bread, which increased in price significantly more than the price of the procurement of livestock for slaughter.

The so-called price increases in stages, i.e., the increasing of prices of various goods done gradually and after relatively long time intervals, has an especially powerful inflationary effect. Along with this, there is a race with inflation. Partial price increases made in the first stage accelerate inflation, in the face of which price increases in the next stage must attain a higher level, and the like. In the subsequent stage it may turn out that price increases made in previous stages are already insufficient.

There are to be further price increases scheduled in a series of stages and in these stages prices increases are not predictable. Very significant price increases of the widest assortment possible of industrial goods are proposed. Very large price increases in staple commodities are planned which result in a very significant increase in production costs for finished products. This inevitably has created an increase in the prices of these finished products themselves.

By basing activities of retail manufacturing on the assumptions of the plan for economic reform, there has been a significant increase in the prices of manufactured products and services rendered.

As a result of all of this, a condition of uncertainty has been created, and it is becoming more and more intense. It paralyzes economic activities and weakens the effectiveness of those activities which are already taking place.

Not only the lack of goods and the unsettling of economic ratios, but the growing uncertainty connected with the certainty that there will be a further drop in the purchasing power of money are the basis of the paralysis in procuring agricultural products: this concerns not only the procurement of livestock for slaughter, but also such products which may be stored by farmers on the farm, like corn and potatoes.

Factory workers and white collar workers, from whom good effective labor should be required, are offered depreciated money which portends its further depreciation. This obviously has definite economic and social consequences.

II In medicine, a collapse is understood as a severe circulation disorder with a sudden drop in blood pressure, manifested by pronounced weakness and a feeling of faintness. A collapse in the economy is understood as a severe circulation disorder in the flow of goods, manifested by a decrease in production and consumption, as well as in the inability or incompetence in undertaking a group of economic decisions that lead to a way out of this condition.

In the Polish economy, the predominant part of agricultural production is produced on private farms, which are based on goods-money relationships using an economic calculation based on current prices. Hence, there is a particular danger of inflation which causes a state of uncertainty and paralyzes the process of exchange between city and village. Attaining a "balanced" market by raising prices for products produced by the state economy under these conditions is an illusion, because the village reacts to this with price increases of certain agricultural products which keeps them from being sold. As a result, a further inflationary process is set in motion.

The stabilization of the purchasing power of money must be tied in with the restoration of confidence in it; this being the case, it becomes absolutely imperative to do so. Evidently, the way of achieving this does not come through price increases and the announcement of constantly new ones.

It is not as if the increase in the output of coal and production of food were not important, but the vital link and point of departure in the battle against economic collapse has to be a return to the zloty, and with its full function as money at that--that is to say, above all, the ability to purchase goods.

From an economic point of view, the fastest possible way out of the economic collapse is, to be sure, the undertaking of a group of measures which result in attaining a surplus bulk of goods and services allocated for sale to the population above the bulk of money designated for their purchasing purposes. It is not a question here of a balance between these two bulks and a rather significant surplus of the bulk of goods and services, since the existence of this balance is a requisite of an efficient supply system.

Among the group of measures, the one that should be of crucial importance is the actual reduction in the bulk of money which the population has at its disposal, and this may be attained, first of all, by reducing their incomes.

This should apply to all sectors of the economy, that is to say, to persons drawing wages, farmers owning private farms, private enterprises, and persons receiving high retirement pensions. The reduction in monetary incomes ought to have a universal character, and exceptions should apply only to persons of relatively low incomes and who find themselves in a particularly difficult situation with respect to the combined incomes of the family and the number of family members being provided for, as well as those persons who are engaged in exceptionally heavy labor.

Unfortunately, a reduction not only in high but middle incomes will be necessary on account of the proportions of the surplus bulk of money being above the supply of goods on the market.

In France, where the system of supplying goods to the population is the most efficient and it is not necessary to restore the monetary function of the franc, the socialist government has recently introduced an income tax on middle and higher incomes (which is defined as a tax of solidarity with the unemployed) and a property tax.

One would have to consider various forms for reducing the bulk of money allotted for purchasing goods and services, such as a stabilization tax on wages and other high and middle incomes, as well as on certain kinds of property, budgetary savings, by eliminating needless expenditures, or such expenditures whose curtailment under present conditions would not constitute a great social loss.

The reduction in middle and high incomes has to be progressive, which means that the higher the income the greater the reduction has to be, or the higher income has to have a stabilization tax. With the exception of persons with low incomes, persons who find themselves in a difficult situation on account of maintaining members of their families, and persons engaged in exceptionally heavy labor, as well as on account of the progressive character of the proposed taxes, the undertaking of the measures discussed will be in accordance with the spirit of social equity. A reduction, especially for people with middle incomes and wages, will constitute severe and painful deprivations, but, nonetheless, it is absolutely necessary for saving the economy from collapse.

In undertaking the decision to reduce high and middle incomes we will look truth squarely in the eye: why now our incomes have already been reduced, and not only high and middle but low incomes too, and to a considerable degree at that--above all, through our inability to purchase goods. So the reduction of real incomes has already started. On the other hand, the reduction of nominal incomes, a necessary condition for making the market healthy, leads to an increase in real incomes which, of course, had already been reduced.

The measures discussed reduce the gap between high and low incomes to some degree and will signify a valorization, although only a relative and not an absolute valorization, of certain kinds of low-profit labor.

The reduction of the population's monetary incomes and, in general, the bulk of money allotted for the purchase of goods has a basic advantage over price increases of goods in finding a way out of the crisis; for it is a real anti-inflation measure and leads to a reduction in production costs. As opposed to price increases of goods, it does not increase the general level of prices; on the contrary, it constitutes the necessary condition for limiting its growth or even reducing it, thereby creating the conditions for increasing the purchasing power of money.

In getting out of the crisis mainly through a reduction in the incomes of higher wage earning groups and through a change in the structure of incomes in favor of low wage earning groups, the latter do not bear the main burden. On the other hand, in getting out of the crisis mainly through price increases of consumer goods, there is a tendency to pass inclusively all of the main burden onto the working masses with low earning power and who find themselves in particularly difficult straits.

III The group of measures for getting out from under the economic collapse should also encompass price increases of certain goods. This is indispensable on account of the ratio of the prices of goods, the relationship between production costs and prices, the conditions of an efficient market supply system, and social conditions (in part, this concerns the relationship between the prices of consumer goods and luxury goods).

Taking a look at things in general, however, price increases of consumer goods should be as restricted as possible. Price increases of some staple goods surely have gone too far. There have occurred faits accomplis which have not been beneficial socially. In undertaking this group of anti-inflation measures, it would be necessary to weigh the possibility of a certain reduction in the prices of goods that have been excessively raised. This would have a favorable social and psychological effect.

Price increases of consumer goods ought to be compensated to persons with low incomes who maintain relatively large families, as well as those persons who are engaged in exceptionally heavy labor. If means are available, persons with middle incomes should also be partially compensated in some way.

In reducing hugh state subsidies, it would not be necessary to exclude entirely those subsidies for financing the relatively low prices of certain consumer goods. Going to extremes in this area would be socially damaging and dangerous. One has to remember that it is not without reason developed capitalist countries subsidize agricultural production. One should also take into consideration that state incomes represent a system. Once the state profits from the particularly high prices of alcohol, cigarettes, luxury goods and others, there is no reason why it could not transfer part of the resources gained in this way to subsidizing prices of certain food products and other kinds of products for social purposes. It is necessary to treat state subsidies like a means of social-economic policy and prevent them from growing without restraint.

The general account of the whole anti-inflation operation should assume the attainment of such a relationship between global demand and global supply, so that an efficient system of supplying the market would be possible. Obviously, the greater the production allocated to the market and the more universal the reduction in monetary incomes, the less of a drop will there be in the incomes of individual persons.

One must undertake this group of anti-inflation measures as quickly as possible and all at one time, rather than spreading them over a series of stages. On account of not having undertaken these measures as a group, we have already suffered great losses, and not just in the area of economics. The later we undertake the necessary measures, the greater must the price be that we will have to pay from getting out from under inflation and, in general, economic collapse.

Only the undertaking of anti-inflation measures all together, i.e., measures which encompass both the reduction of the population's monetary incomes and price increases, will make it possible to reverse the inflationary trend and create conditions for abolishing ration cards and for implementing an efficient supply system for the population by means of free sales.

Due to the key importance of ensuring the zloty real value as a means of trade exchange which constitutes the necessary condition for restoring the circulation in

the flow of goods, it is necessary to assess negatively the forms of sales bound up with transactions between city and village since they really contribute to the depreciation of the zloty. The implementation of such forms can immediately bring about a certain relaxation in the supply system. However, this is just a palliative. What is necessary is complex global solutions that ensure the population an efficient supply system for their money.

In the period from August 1980 to the present, the same kind of trends found in the past decade have actually been continuing. Moreover, these trends are being realized at an accelerated rate and are revealing more and more strongly their negative consequences. This affects the decrease in production and national income, the inflationary increase in prices, the increase in wages without a corresponding increase in production, the structure of satisfying demand and the increase in labor productivity, and the increase in indebtedness to foreign countries. Of fundamental importance, then, is the reversal of these trends, above all, the inflationary trend.

Getting out of the economic crisis, and more importantly getting out from under the economic collapse is not only an economic but a political problem. The realization of this program for finding our way out of the economic crisis and collapse depends on the preference and determination of the authorities and the disposition of political forces. The swift and effective realization of this program, as a rule, requires a great deal of deprivation. It is a difficult and unpopular program, but at the same time the broad masses of society have to be convinced that it is necessary. Nonetheless, it is the duty of economists, research workers and interns to undertake efforts to formulate such a program, though, of course, the authorities may not accept it.

IV Our system of economic management has played an essential role in getting the Polish economy into a state of collapse. In the 1970's a rapid process of bureaucratizing management at all levels was carried out. In enterprises "added value" computed in current prices has been introduced as a main index. The enterprise's wage-fund is made dependent on the growth of this index mainly composed of wages and profits during the course of one year. There emerged a peculiar system of government control over enterprises which inevitably led to a deformation of production and a stimulation of inflation.

The easiest way for an enterprise to attain the greatest amount of extra production and the corresponding growth in the wage-fund was to establish an assortment of manufactured goods that served the purposes of the enterprise but not the consumer of these goods or the national economy as a whole. At the same time, overt and covert price increases in various forms were carried out. As a result there appeared on the market a manufactured good which did not correspond to the structure of demand. There was an excessive increase in stocks, and the wage-fund, with no economic basis behind it, constantly increased. This constantly increased inflation and on a mass scale.

Our management system also deformed economic growth. Since the main measure was an annual one, there emerged in enterprises a natural reluctance toward any real innovation in production and implementation of technical advances in general, since outlays for these purposes diminished the current wage-fund.

The results of employing this kind of management system were the degradation and bureaucratization of the economy (production was aimed at attaining an index and not satisfying demands) and profound economic disproportions which were expressed in the lack of scarce goods, in the relatively low level of technology in production, in the dislocations of co-production among enterprises, and in the excessive consumption of energy, fuel and materials.

We are now in 1981. The so-called small economic reform has been introduced which behaves just like the system before it, only under a different name. Instead of an annual added value as the main index of an enterprise we have an annual "net value of production," on which the size of its wage-fund depends. Again it is deforming production and raising prices in order to attain growth in the wage-fund. At the same time, with great scarcities of materials and a significant drop in production, material stocks have not been decreasing. The name "small economic reform" is almost no longer remembered, although great hopes had been pinned on it.

And here we have a plan for a big economic reform. It is based on the same mechanism as the previous system. Only instead of an annual net value of production, one is proposing to introduce an annual "net profit" on which the wage-fund depends in the form of the employees' share in the profits of an enterprise. So also in the area of the mechanism of economic management the trend of the past decade is being continued.

It is strange to hear the announcement of the establishment of "price policing" in order to avert price raises by enterprises after the economic reform has been introduced. This announcement by itself indicates the ineffectiveness of the proposed economic mechanism. What kind of mechanism is it that cannot operate by itself and requires policing. Let us add that once enterprises have the right to establish an assortment of products, "price policing" cannot prevent them from selecting an assortment that suits their purposes, even though this assortment is characterized by relatively high prices; and the production of low priced products is not undertaken.

The condition for overcoming economic collapse is the undertaking of a determined battle with inflation, and this, in turn, requires, as one of its essential conditions, the getting rid of the management system that makes the enterprise's wage-fund dependent on having attained a yearly level as its main index.

9866
CSO: 2600/155

RESULTS OF 'TELEPHONE HOTLINE' POLL ASSESSED

Warsaw TRYBUNA LUDU in Polish 24 Nov 81 p 3

[Article by Ryszard Bilski: "The 'Telephone Hotline'--A Reform without Mysteries. Freedom with...a Directive"]

[Text] For nearly a month we have been conducting an editorial "Telephone Hotline" campaign--a reform without mysteries. In the columns of TRYBUNA LUDU and during the telephone duty tour of experts from the Office of the Government Plenipotentiary for Matters of Economic Reform we have responded to more than 200 questions, thereby filling quite a serious information and educational gap--as far as we can tell.

Powers of Self-Government

Most of the questions concerned the problems of worker self-management, and not only the powers of worker self-management--for in questionable cases social interpretation tends to broaden self-management powers (and rightly so)--but also, for example, the very procedure for establishing worker self-management, and, thus, the selection of worker councils by establishments and enterprises, the choice of the powers given to delegates of work forces, etc. These questions were broached not only by the workers but also...by the enterprises' legal counsellors.

Therefore, one can believe that either the law is not completely comprehensible and does not answer all possible questions, or we do not know how to read the law properly and are creating problems where there actually are none.

Similar remarks can be stated--I believe--precisely in regard to the law on enterprise.

Against the background of these observations, the numerous suggestions and requests concerning publication of a model statute of enterprise and worker self-management in TRYBUNA LUDU are becoming understandable. But we were told at the Government office for Matters of Economic Reform that publication of a draft of such a document would constitute to some extent a limitation of initiative and...of democracy. Our readers accepted this explanation and ended their requests for a model, but they began to send us their own draft statutes and to request that we evaluate them.

The next block of "Telephone Hotline" problems concerned financial problems in reformed enterprises, and, in particular, prices, taxes, and wages (incentive elements). Since these principles still have not been worked out in final "legal" detail, they keep coming up in the sphere of proposals and drafts, and answers to questions have been hedged with large qualifications.

Against "Price Combinations"

Our readers have expressed doubts and fear over whether, for example, the great freedom to set prices would not bring more harm than good. They demanded that principles of price formation be stated precisely, thereby arguing that the "seven league" jump from the directive to a totally unrestricted freedom could lead to the pursuit of easy profit (a price increase). They called for a clear statement--in drafts of appropriate documents--of principles of supervision of prices and punishment of abuse in this field. These safeguards, excluding or hindering efforts at "price combinations," should be set forth very clearly and concretely... also so that reform can be trusted completely.

In many questions the excessively numerous tax titles were called into dispute. "Telephone Hotline" callers think that excessive draining through taxes and the need to divert to the budget a significant portion of evolved assets would make it impossible to implement principles of enterprise self-financing.

Based on calls and numerous letters, we can also state precisely many conclusions concerning the methodology for preparing and implementing economic reform and for popularizing its assumptions. The fact that the flow of information from the top to the bottom is too narrow and that particular activities are not synchronized was especially noted. For example, demands are made on enterprises to introduce cost calculations under reformed conditions, but in the meantime they do not know what the prices will be for basic sugar and energy.

Delay Is Costly...

"I am in favor of reform--but I do not see any chance for its early introduction," wrote Jan Madeja, a young engineer from Plock Province, to the "Telephone Hotline." "Not because there is a lack of energy and materials, but because until now there have been no basic legal acts defining conditions for the work of reformed enterprises."

There were more voices of fear. Some readers even came to very pessimistic and painful conclusions, saying that the economic authorities certainly do not care about reform, since they have not done everything they could to guarantee the implementation of the full reform beginning on 1 January 1982. But each day of delay exacerbates the conditions for the start and success of the reform.

This line of discussion developed toward the end of the operation of the "Telephone Hotline," which--let us remember--coincided with the intensification of urgent economic activities. We immediately received many questions as to whether a preference was not being shown for stopgap solutions and whether there was not an intention to solve basic economic problems with only these emergency activities.

"Even if these actions did succeed," wrote Stefan Olczak, a construction technician from Katowice, "the next morning mechanisms regulating our economy would begin to be operative. There is no cheating economic laws."

Among the more than 200 questions and remarks, only one woman was not in favor of reform. This reader maintained that: "What we need is not reform, but honest work. Let us use what we have better, let us settle things with slackers, and let us observe the principle "As you work, so you earn.'"

Agreed, but will this succeed without reform, without the embodiment of the "three S's" (self-management, self-financing, and independence)? At bottom--arguments against reform are arguments in favor of reform.

Which Temporary Measure

In conclusion, let us note a few more opinions on the temporary measure proposed for the first years of reform. Our callers accepted the idea of a temporary measure in principle, but they object to some particular solutions as, in their opinion, restricting their independence too much. A temporary measure must constitute a particular type of gear or clutch which enables the old to co-exist with the new. However, these mechanisms and guarantees should be formed so that the directive and rationing are supplanted effectively by the "three S's."

The editorial action revealed, as we have already said, a lack of information and educational activities conducted by the ministries and unions. Press, radio, or television drives will not replace them. They can only assist. Meanwhile, in many cases they are the sole activities. Some ministries and unions have not even concerned themselves with the fact that in all enterprises (one of them is "Ponar" in Warka) plant complexes on matters of economic reform have been established!

In closing down the operations of the "Telephone Hotline" we are obliged to impart (by letter) answers to the remaining questions and to organize a second editorial duty tour of experts from the Government Office for Matters of Economic Reform. But only after work has been finalized on all the legal acts concerning reform. And we direct primarily to the attention of the Office for Matters of Economic Reform the reflections which come to mind as a result of our editorial campaign.

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